FINAL REPORT

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Islands Trust Impact Analysis

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BRITISH COLUMBIA

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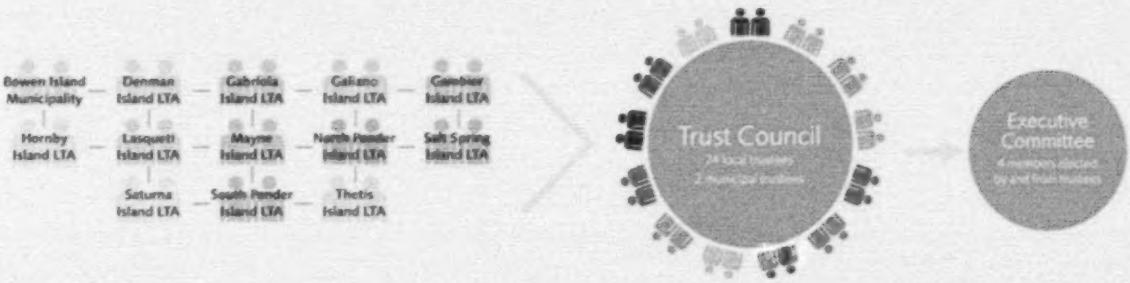
Executive Summary

In 2013, a Salt Spring Island Governance Study was completed to engage the public in a review of all governance structures on the Island, and to outline the differences between rural and municipal governments. This study process concluded in December 2013 with a recommendation from the Governance Study Committee to the Minister of Community, Sport and Cultural Development, highlighting community interest in completing a municipal incorporation study. In addition to and separate from the review of the current state of governance, the first phase of work also included an opportunity to examine the potential impacts of a Salt Spring Island municipal incorporation on the Islands Trust. Therefore, the purpose of this Islands Trust Impact Analysis is to examine the potential effect of a Salt Spring Island municipal incorporation on the Islands Trust in relation to fiscal stability and organizational adaptation.

As identified in Figure E1, the Islands Trust Area is currently organized into twelve 'Local Trust Areas' (LTAs) and one 'Island Municipality' (Bowen Island). Within each Local Trust Area, a Local Trust Committee is responsible for land use planning and regulation of development. Each Local Trust Committee is comprised of the two local trustees and a member of the Executive Committee, who is appointed as chair of the three-person Local Trust Committee.

Figure E1 – Islands Trust Governance Structure



Source: Islands Trust

If Salt Spring Island were to incorporate as an Island Municipality, the Salt Spring Island Local Trust Committee would be dissolved, and Salt Spring Island would no longer participate in the Local Planning Services function of the Islands Trust. However, Salt Spring Island would continue to be represented by two municipal trustees on Trust Council, and Salt Spring Island would continue to participate in Trust Area-wide functions such as work on policy and advocacy-related issues, and the management of the Islands Trust Fund.

Should Salt Spring Island incorporate as an Island Municipality, the Islands Trust would no longer incur direct expenses for the provision of Local Planning Services to Salt Spring Island, and Salt Spring Island would no longer contribute towards the Local Planning Services function of the Islands Trust (including the proportion of Islands Trust General Administration costs allocated to Local Planning Services). Based on the Islands Trust 2014-15 budget, the Islands Trust Impact Analysis identifies a projected annual funding shortfall of approximately $800,000, should Salt Spring Island incorporate as an Island

Municipality. This $800,000 shortfall is the result of reduced revenues of $1.9 million, offset by reduced direct expenses of $1.1 million.[1]

To understand how the Islands Trust could adapt if Salt Spring Island were to incorporate as a municipality, a series of response options was identified. Beyond the removal of Salt Spring Island from the Local Planning Services function, these response options illustrate the potential required magnitude of additional changes to Islands Trust expenses and/or revenues to address the identified shortfall. The response option scenarios are as follows:

- **Scenario 1** explores using service delivery reductions to overcome the $800,000 shortfall identified above. In this scenario, tax rates for the Local Trust Areas are held at current levels.

- **Scenario 2** explores the impact of adjusting tax rates for the Local Trust Areas in order to maintain service levels and avoid impacting current expenses for management and administration, as well as current expenses for Local Planning Services for the remaining Local Trust Areas.

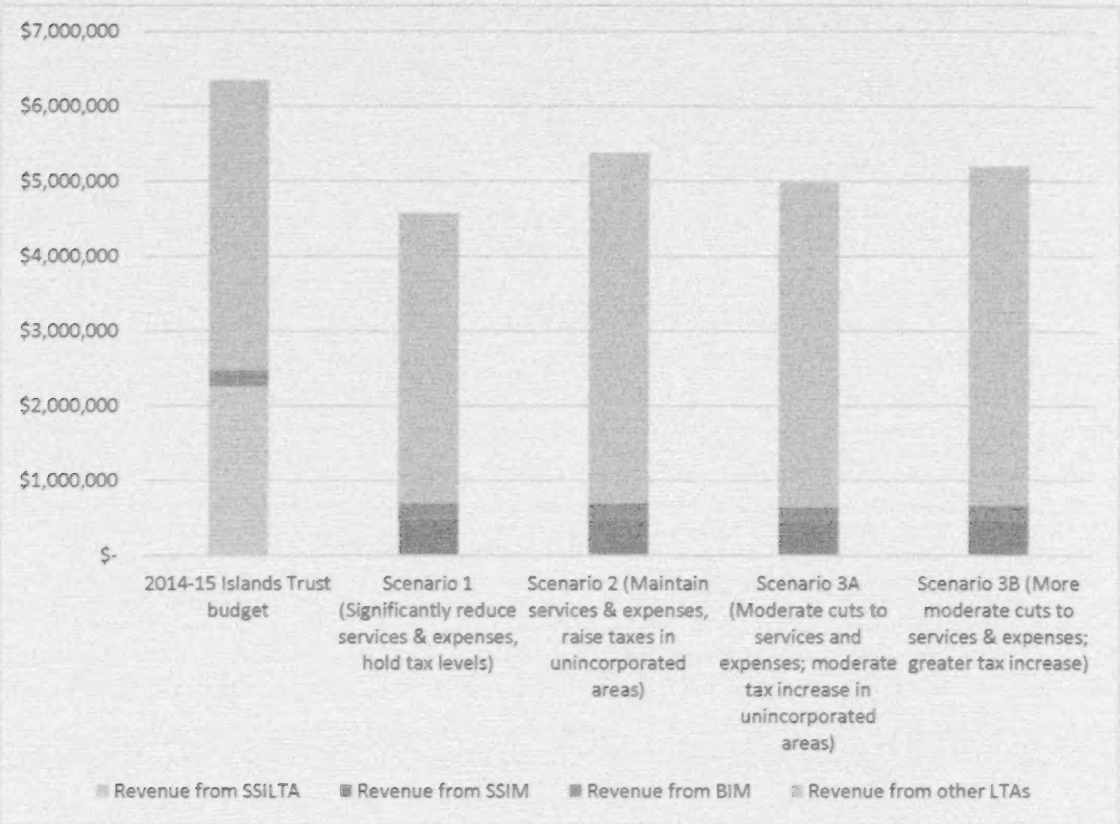
- **Scenarios 3A and 3B** are two hybrid scenarios that explore both reductions to General Administration and Local Planning Services expenses, and adjustments to tax rates to offset the remaining shortfall. Scenario 3A identifies the impact of approximately $400,000 in expense reductions (over and above the removal of expenses associated with Salt Spring Island Local Planning Services), and Scenario 3B identifies the impact of approximately $200,000 in expense reductions.

Figure E2 summarizes the potential revenue requirements for each scenario, as compared to the Islands Trust 2014-15 budget. As indicated, with significant reductions in tax revenues from Salt Spring Island, the Islands Trust would face choices as to whether it should significantly reduce services and expenses, raise taxes in unincorporated areas, or deploy some combination of these two potential strategies.

For the Local Trust Areas, property tax impacts for each scenario were reviewed using a $350,000 Class 1 (Residential) property for a point of comparison. Based on current tax rates, a $350,000 property pays about $265 in Islands Trust property taxes. In Scenario 1, there is no change. In Scenario 2, there is an $800,000 deficit to be overcome through property taxation. As a result, Islands Trust property taxes increase to $327 for a $350,000 property in an unincorporated area. In Scenarios 3A and 3B, which involve a combination of decreases to expenses and adjustments to property taxation, property taxes are $303 and $316 respectively, for a $350,000 property in an unincorporated area.

[1] As described in more detail in Section 3 of this report, this analysis is based on reviewing the impact of removing Salt Spring Island Local Planning Services from the Islands Trust budget. Potential adjustments to Islands Trust management and administration expenses are contemplated in a series of response options.

Figure E2 – Sources of Islands Trust Taxation Revenue[2]
2014-15 Budget vs. Possible Scenarios to Respond to Potential Incorporation of Salt Spring Island


$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$-
2014-15 Islands Trust budget
Scenario 1 (Significantly reduce services & expenses, hold tax levels)
Scenario 2 (Maintain services & expenses, raise taxes in unincorporated areas)
Scenario 3A (Moderate cuts to services and expenses; moderate tax increase in unincorporated areas)
Scenario 3B (More moderate cuts to services & expenses; greater tax increase)
Revenue from SSILTA
Revenue from SSIM
Revenue from BIM
Revenue from other LTAs

Ultimately, if Salt Spring Island were to incorporate, the preferred adaptation strategy would be developed at the discretion of the Islands Trust. A Salt Spring Island municipal incorporation would require the approval of the Salt Spring Island electorate, and there are many steps that would be required prior to a potential municipal incorporation. Nevertheless, if a Salt Spring Island municipal incorporation study proceeds in the future, there are several recommended actions for consideration by the Islands Trust. These recommended actions include the following:

- Establish a multi-year budget and financial plan to address the potential reduced revenue associated with the removal of Salt Spring Island operations, if municipal incorporation goes

[2] For illustrative purposes, Scenario 1 illustrates a potential Salt Spring Island tax requisition of $470,000, consistent with the analysis in Section 3 of this report, and consistent with the municipal requisition in Scenario 2. In practice, if Scenario 1 included reductions in administration (as opposed to further reductions in Local Planning Services), municipal requisitions would decline accordingly, based on the current municipal tax requisition calculation.

ahead. While the scenarios outlined in Section 4 of this study are hypothetical, the financial analysis should assist in forming the basis for development of long term financial strategies to address the potential incorporation of Salt Spring Island.

- Develop a staffing plan to address the potential removal of Salt Spring Island operations and the potential incorporation of Salt Spring Island as an Island municipality.
- Enter into short-term leases for the Salt Spring Island office to maintain flexibility in the event that Salt Spring Island votes in favour of municipal incorporation.
- To make the organization more resilient to a potential incorporation, consider greater use of special requisitions to fund Local Trust Committee programs that are beyond a base level of service.
- Consider property tax increases to establish special reserves for transitional funding should Salt Spring Island vote in favour of municipal incorporation. As demonstrated with Bowen Island Municipality (BIM), the property tax impact for the Islands Trust is felt immediately following the completion of the contract for the provision of planning services during the transition period following incorporation.
- Discuss the merits of a two year (as opposed to three year) transition period for Local Planning Services following a municipal incorporation.
- Consider additional options to enhance the strength and resilience of the Islands Trust, such as amendments to the Islands Trust Policy Statement and adjustments to strengthen the relationship between the Policy Statement and adopted Official Community Plans for both municipal members and Local Trust Areas.

1.0 Introduction

1.1 Study Purpose

In October 2012, grant funding was approved from the provincial government for a Salt Spring Island Governance Study. Because of the complex history of governance on Salt Spring Island, it was determined that a phased study approach would be taken. In 2013, the first phase of the study engaged the Salt Spring Island public in a review of all governance structures on the Island, generally outlining the differences between rural and municipal governments. That study process concluded in December 2013 with a recommendation from the Governance Study Steering Committee to the Minister of Community, Sport and Cultural Development. The Committee's recommendation highlighted community interest in proceeding to a second phase, a municipal incorporation study.

In addition to and separate from the review of the current state of governance, the first phase also included an opportunity to examine the potential impacts of a Salt Spring Island municipal incorporation on the Islands Trust. This Islands Trust Impact Analysis is the focus of this report, which was completed separately from the Governance Study based upon Terms of Reference developed by the Province with input from the Islands Trust. The purpose of the Impact Analysis is to examine the potential effect of a Salt Spring Island municipal incorporation on the Islands Trust in relation to fiscal stability and organizational adaptation.

This Islands Trust Impact Analysis study explores several key questions:

- What is the impact of removing the Salt Spring Island operations from the Islands Trust budget?
- What is the impact of removing Salt Spring Island tax revenues from the Islands Trust budget at the current rates?
- How could the tax impact on unincorporated islands and island municipalities be managed while maintaining an acceptable level of service?
- How would the Islands Trust continue to provide community planning and regulate development on unincorporated islands within the Trust Area, and continue to support the work of the Islands Trust Council and the Trust Fund Board?
- How could the transition phase and transfer of services from the Islands Trust to a new municipality be managed?

To assist in answering these questions, the study also includes a brief review of the actual impact of the 1999 Bowen Island municipal incorporation on the Islands Trust.

1.2 Report Outline

This Study Report is organized as follows:

Section 2 provides an overview of the Islands Trust, focusing on its mandate, governance structure, services, and finances.

Section 3 reviews the potential implications of an incorporation of Salt Spring Island, focusing on impacts to Islands Trust expenses and revenues with the removal of Salt Spring Island operations and reduction in tax revenues.

Section 4 sets out a series of options to address the reduced level of funding to be received from Salt Spring Island, post incorporation, including potential changes to Islands Trust staffing levels and changes to tax rates. The analysis identifies a variety of scenarios to manage the tax impact on unincorporated islands while maintaining a satisfactory level of services across the entire Trust Area.

Section 5 reviews the actual implications of the 1999 Bowen Island incorporation on the Islands Trust, and discusses several key considerations related to the potential transition phase and ongoing operations of the Islands Trust.

Section 6 outlines potential next steps and provides recommendations to begin to address the potential implications of an incorporation of Salt Spring Island, should a municipal incorporation study proceed.

2.0 Islands Trust Overview

2.1 Background

The Islands Trust (the Trust) is a unique federation of local government bodies that represents approximately 25,000 people living within the Islands Trust Area. The Trust Area includes thirteen major islands and more than 450 smaller islands located in the Strait of Georgia and Howe Sound, covering approximately 5,200 square kilometres of land and water. Within this area, the Trust is responsible for preserving and protecting the unique amenities and environment through land use planning and regulation, development management, education, cooperation with other agencies, and land conservation.

The Islands Trust was established by Provincial legislation, the *Islands Trust Act* (the Act) in 1974. As set out in the Act, the Islands Trust object is:

> "...to preserve and protect the trust area and its unique amenities and environment for the benefit of the residents of the trust area and of the province generally, in cooperation with municipalities, regional districts, improvement districts, other persons and organizations and the Government of British Columbia."

The *Islands Trust Act* requires Trust Council to adopt a Policy Statement with the policies it will use to achieve this object. The current Policy Statement sets out the Trust's three main goals, which are:

- to foster the preservation and protection of the Trust Area's ecosystems;
- to ensure that human activity and the scale, rate and type of development in the Trust Area are compatible with the maintenance of the integrity of Trust Area ecosystems; and,
- to sustain island character and healthy communities.

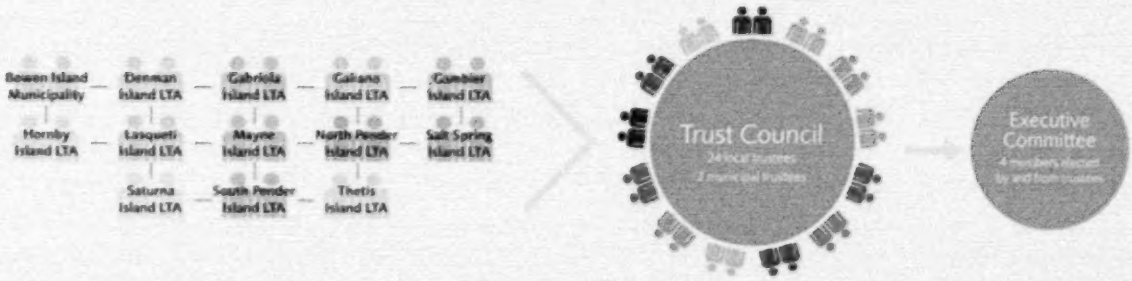
2.2 Membership and Governance Structure

2.2.1 *Current Structure*

The Islands Trust Area is currently organized into twelve 'Local Trust Areas' (LTAs) and one 'Island Municipality' (Bowen Island). During British Columbia's local government elections, two trustees are elected from each of the Local Trust Areas and Bowen Island Municipality (BIM). All twenty-six trustees sit on the Trust Council, which is the governing and legislative body charged with carrying out the provincial mandate to preserve and protect the Islands.

The Trust Council structure (with two representatives from each area) is one of the more unique features of the Islands Trust, as it reflects the notion that all local areas and island municipalities should be represented equally on the Trust's governing body. In creating a body with equal representation from all areas, the Province deliberately emphasized the importance of having Trust Council focus on the welfare of the broader Trust Area. Trust Council holds quarterly public meetings, and it elects a four member Executive Committee that also conducts regular business. This overall governance structure is illustrated in Figure 2.1.

Figure 2.1 – Islands Trust Governance Structure



Source: Islands Trust

Within each Local Trust Area, a Local Trust Committee is responsible for land use planning and regulation of development. Each Local Trust Committee is comprised of the two local trustees and a member of the Executive Committee, who is appointed as chair of the three-person Local Trust Committee. For the virtually unpopulated Ballenas-Winchelsea Islands, also known as the Executive Islands, the Executive Committee acts as the Local Trust Committee. Within the Local Trust Areas it is noted that governance – other than for the purposes of land use planning and regulation of development – is provided by the seven corresponding regional districts (e.g. Capital, Comox, Cowichan Valley, Greater Vancouver, Nanaimo, Powell River, Sunshine Coast) which operate under the *Local Government Act*. Services are generally provided directly by the regional districts, as well as from improvement districts and private utilities.

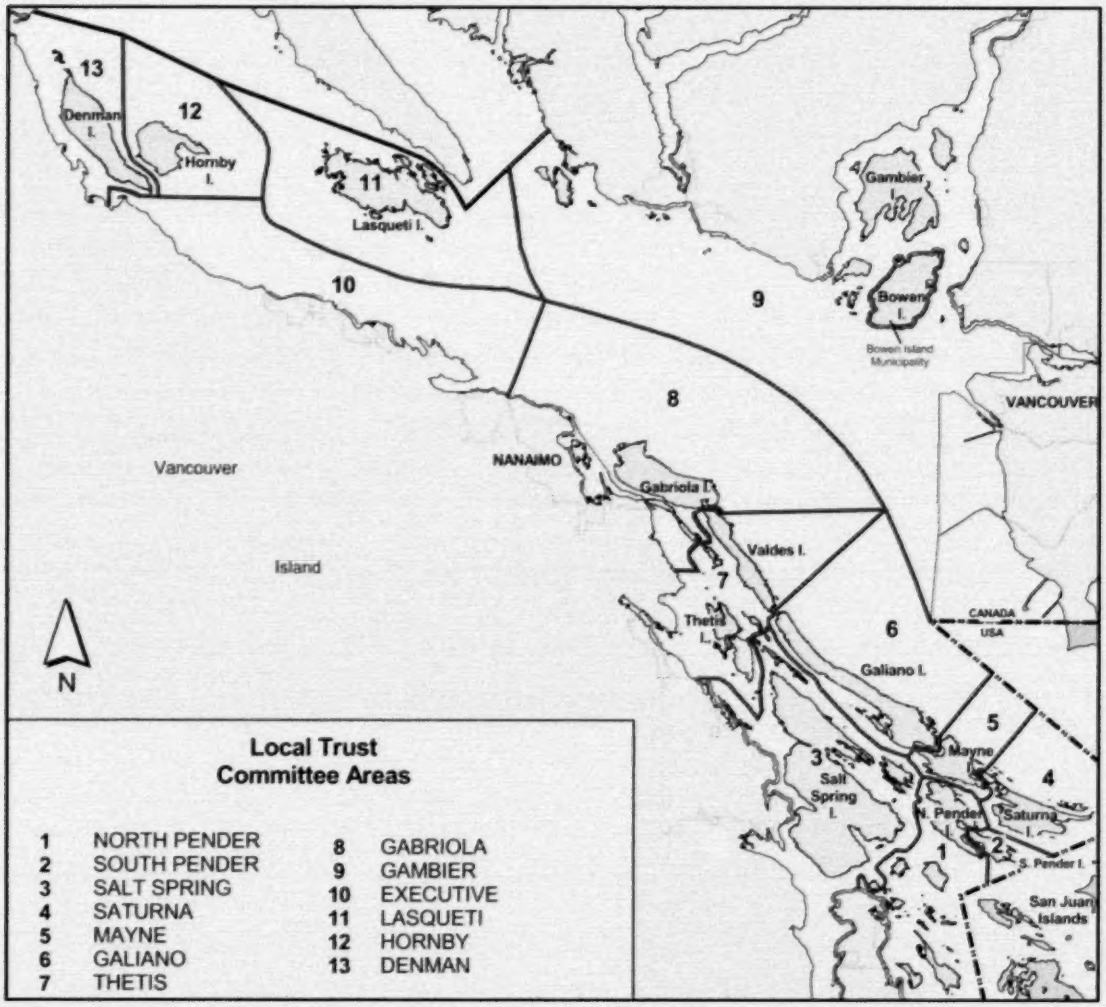
On the Bowen Island municipality (BIM), the seven-member municipal council is responsible for local government services, including land use planning. BIM appoints two BIM council members to represent

the municipality on Trust Council as determined by the electorate. This provision for 'double direct' voting was included in Letters Patent for BIM.

According to the Letters Patent for BIM, as a member of the Islands Trust, BIM is required to support the object of the Islands Trust as identified by the *Islands Trust Act.* As such, the municipality must have regard to the object of the Islands Trust when adopting a bylaw or issuing a permit or licence, and the municipality must work to ensure that there is no conflict between its actions and the object of the Islands Trust and the Trust Policy Statement. As with the Local Trust Areas, BIM is also a member of a regional district (Greater Vancouver). However, the majority of local government services are provided by the municipality.

The Islands Trust administrative boundaries for the Local Trust Committee Areas are illustrated in Figure 2.2.

Figure 2.2 – Islands Trust Administrative Boundaries



Source: Islands Trust

Table 2.1 illustrates the population within the Islands Trust Area. As indicated, the Salt Spring Island Local Trust Area is the most populated, with a population of approximately 10,300 residents. Salt Spring Island's population represents approximately 40 percent of the total Islands Trust Area population.

Table 2.1 – Trust Area Population (2011)

	Population (2011 Census)	Percentage of Total Population
Bowen Island Municipality	3,402	13.3%
Denman Island LTA	1,022	4.0%
Gabriola Island LTA	4,045	15.8%
Galiano Island LTA	1,138	4.5%
Gambier Island LTA	275	1.1%
Hornby Island LTA	958	3.7%
Lasqueti Islands LTA	426	1.7%
Mayne Island LTA	1,071	4.2%
North Pender Island LTA	2,035	8.0%
Salt Spring Island LTA	10,322	40.4%
Saturna Island LTA	335	1.3%
South Pender Island LTA	201	0.8%
Thetis Island LTA	340	1.3%
Executive Islands	n/a	n/a
Non-Designated Areas	n/a	n/a
Total	**25,570**	**100.0%**

Table 2.2 illustrates the **net taxable assessment** and the **converted value of land and improvements** within the Islands Trust Area. The **net taxable assessment** is the appraised value of taxable land and improvements within the Trust Area. It is important to note that all taxable properties (or portions thereof) belong to one of nine specific property classes based on use (e.g. Residential, Utility, Major Industry, and Business & Other). The largest property class in the Islands Trust (accounting for over 95% of total Net Taxable Assessment) is the Residential Class (Class 1).

The **converted value of land and improvements** is equal to the net taxable assessment for each property class multiplied by a prescribed percentage set by the "Converted Value Percentages Regulation" (BC Reg 371/2003). For example, the prescribed percentage is 10% for the Residential Class (Class 1) and 24.5% for the Business & Other Class (Class 6). Thus, if the total net taxable value for all residential properties on Salt Spring Island is $2.85 Billion, the converted value is $285 million (or $2.85 Billion x 10%).

The primary use of converted value of land and improvements is to apportion the joint costs of the Islands Trust to individual islands (within the Trust) in such a way that every property within a property class (e.g. Residential) pays the same tax rate, and that the ratio of tax rates between different property classes

(Residential and Business) are consistent. For example, the converted percentage is 10% for the Residential Class (Class 1) and 24.5% for the Business & Other Class (Class 6), thus the tax rate for the Business & Other Class will always be 2.45 times Residential tax rate (equal to 24.5%/10%).

Therefore, for budget purposes, converted assessment (rather than net taxable assessment) is used in determining the annual tax requisition that the Islands Trust submits to the appropriate taxing authority (i.e. municipalities in incorporated areas and the Province in rural areas). The converted value of land and improvements is also used in tax requisitions for other public authorities like hospital districts and regional districts.

As illustrated in Table 2.2, the Salt Spring Island Local Trust Area has the highest assessment, with over $3 billion in net taxable assessment and approximately $325 million in converted values. Salt Spring Island's assessment represents approximately 32 percent of the total assessment in the Islands Trust Area. With the highest single tax base, the Salt Spring Island Local Trust Area is the largest single contributor to the funding of Island Trust operations.

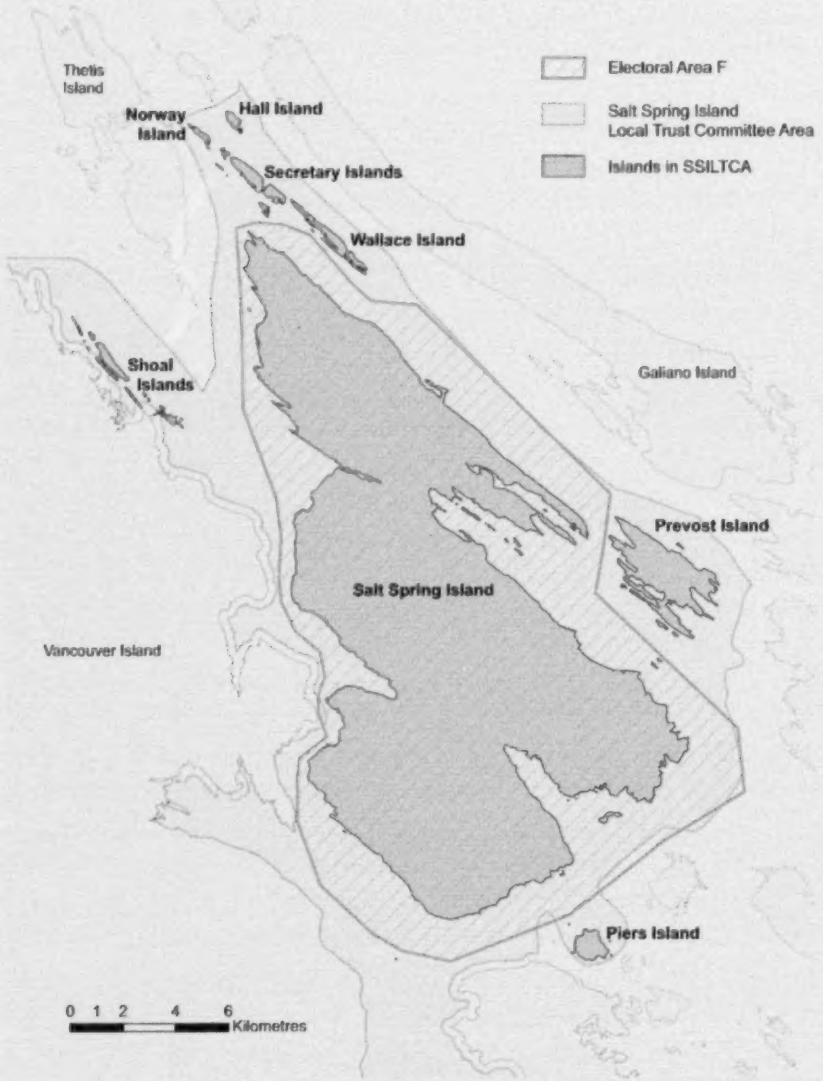
Table 2.2 – Trust Area Net Taxable Assessment and Converted Value of Land and Improvements (2014)

	Net Taxable Assessment (2014)	Percentage of Total Net Taxable Assessement	Converted Value of Land and Improvements (2014)	Percentage of Total Converted Value
Bowen Island Municipality	$1,445,308,600	15.0%	$151,127,834	15.1%
Denman Island LTA	$331,918,710	3.5%	$33,900,093	3.4%
Gabriola Island LTA	$1,114,555,094	11.6%	$115,135,470	11.5%
Galiano Island LTA	$531,597,567	5.5%	$55,347,585	5.5%
Gambier Island LTA	$556,898,687	5.8%	$56,748,127	5.7%
Hornby Island LTA	$464,701,774	4.8%	$47,338,441	4.7%
Lasqueti Islands LTA	$130,712,108	1.4%	$13,451,461	1.3%
Mayne Island LTA	$502,123,903	5.2%	$51,884,137	5.2%
North Pender Island LTA	$911,500,705	9.5%	$93,832,002	9.4%
Salt Spring Island LTA	$3,048,272,838	31.7%	$324,275,191	32.3%
Saturna Island LTA	$231,907,983	2.4%	$24,086,410	2.4%
South Pender Island LTA	$140,745,327	1.5%	$14,379,158	1.4%
Thetis Island LTA	$196,460,862	2.0%	$20,586,746	2.1%
Executive Islands	$2,548,100	0.0%	$254,810	0.0%
Non-Designated Areas	$930,500	0.0%	$324,175	0.0%
Total	**$9,610,182,758**	**100.0%**	**$1,002,671,640**	**100.0%**

The Salt Spring Island Local Trust Area includes approximately twenty-five associated islands, including Piers Island and Prevost Island. If Salt Spring Island were to incorporate as a municipality, it is likely that the municipal boundary would more closely reflect the current Salt Spring Island Electoral Area (i.e. Capital Regional District Electoral Area F) boundary. This geographic area mainly includes Salt Spring Island itself, with fewer associated islands than the Salt Spring Island Local Trust Area. Figure 2.4 juxtaposes the Salt Spring Island Electoral Area boundary against the Salt Spring Island Local Trust Area boundary. Within the Salt Spring Island Electoral Area boundary, there is a 2011 Census population of 10,234, and a 2014 net taxable assessment of $2,942,974,772. In comparison, the Salt Spring Island Local Trust Area has a 2011 Census population of 10,322 and a 2014 net taxable assessment of $3,048,272,838.

If the Salt Spring Island Electoral Area boundary were used for a new municipality, it is assumed that the remaining associated islands (e.g. Piers Island, Prevost Island) within the Salt Spring Island Local Trust Area would be redistributed to other Local Trust Areas.[3] For the purposes of the analysis in this report, no additional costs have been projected to provide Local Planning Services to these associated islands.

Figure 2.4 – Comparison of Salt Spring Island Electoral Area Boundary (CRD) with Salt Spring Island Local Trust Area Boundary (Islands Trust)



Source: Islands Trust

[3] Although minor in comparison to the financial impacts, the jurisdictional redistribution of associated islands is another transitional item that would need to be addressed if Salt Spring Island becomes an Island Municipality.

2.2.2 *Historic Evolution of the Trust*

Since it was established in 1974, the Islands Trust has evolved in significant ways. For example, when the Islands Trust was originally established, land use planning jurisdiction remained with regional districts, and Local Trust Committees only reviewed the land use planning and regulatory efforts of the regional districts. However, in 1977, the *Islands Trust Act* was amended, transferring land use planning jurisdiction from regional districts to the Local Trust Committees. In 1989, the Trust also went through significant change, as Trust Council was formally established as the Trust's governing and legislative body, responsible for matters such as adoption of an Islands Trust Policy Statement and oversight of the Trust's financial management. The 1989 amending legislation also restructured the Executive Committee of Council, and changed the structure of the Local Trust Committees to the current three-member format.

Significantly, the 1989 amendments allowed for the incorporation of island municipalities within the Trust Area. Subsequently, in 1999, Bowen Islanders voted to incorporate. As a result, BIM became the first (and only) municipal government within the Islands Trust Area.

2.3 Islands Trust Services

2.3.1 *Trust-Wide Services*

Trust Council:

Trust Council has a wide range of responsibilities. Trust Council has created a strategic plan and policy manual to guide its decisions. As required by the *Islands Trust Act*, Trust Council has also adopted an Islands Trust Policy Statement to establish a vision for the future of the Trust Area and to provide a general strategy for land use planning, in order to guide the formulation of bylaws, plans, and policies. Trust Council also engages in region-wide policy and advocacy on issues such as transportation, local food, and marine shipping safety. Additionally, Trust Council is responsible for the financial management of the Trust, with the exception of the Islands Trust Fund.

Trust Council and Executive Committee operations are funded primarily through property tax levies. All parts of the Islands Trust Area contribute towards Trust Council and Executive Committee operations.

Islands Trust Fund:

The Islands Trust Fund is a separate conservation land trust that was established by the *Islands Trust Act* to protect land through voluntary measures. The Islands Trust Fund Board is legally independent from the Islands Trust, and the land and money donated to the Islands Trust Fund is owned and managed by the land trust.

The Islands Trust Fund's operating expenses are paid for primarily through property tax levies. All parts of the Islands Trust Area contribute towards the Islands Trust Fund's operating expenses.

2.3.2 *Local Planning Services and Special Projects*

The *Islands Trust Act* provides each Local Trust Committee with the power and authority of a regional board in relation to the land use planning provisions of the *Local Government Act*. Therefore, on Salt Spring Island and in the other Local Trust Areas, the Islands Trust's primary local responsibility is for land use planning and regulation of development, as carried out by the Local Trust Committee. The Local Trust Committee is also responsible for any issues to which it has been delegated authority by the Island Trust Council. For example, in June 2013, Islands Trust Council voted to delegate some of its coordinating and advocacy powers to the Salt Spring Island Local Trust Committee in relation to water protection issues. In the history of the Islands Trust, this represents the first delegation of authority from Trust Council to a Local Trust Committee on a particular issue.

All Local Trust Committee operations are funded entirely by the Local Trust Areas (together as one unit). Island municipalities do not contribute towards Local Trust Committee costs. Additionally, on Salt Spring Island only, the Salt Spring Island Local Trust Committee has requested a special tax requisition to fund the additional operations of the Salt Spring Island Watershed Protection Authority (a working group comprised of provincial and local government agency representatives).

2.4 Islands Trust Finances

Every year, the Islands Trust develops a financial plan, adopted by bylaw, which sets out proposed expenses, funding sources, and transfers to and between funds. After accounting for expected funding sources other than property taxes, the Islands Trust then determines the amounts required from property taxation. As with other local governments throughout British Columbia, the Islands Trust relies primarily on property taxes as the most significant source of revenue.

In the 2014-15 fiscal year, the Islands Trust has just over $7 million in budgeted expenses (see Appendix A – Islands Trust 2014-15 Budget Summary). As set out in Section 14 of the *Islands Trust Act,* the Islands Trust budget differentiates between expenses for the following specific decision-making bodies:

- Operations of the Trust Council and the Executive Committee;
- General Operations of the Local Trust Committees;
- Operations of a Local Trust Committee that are additional operations (e.g. coordination of water protection issues on Salt Spring Island); and,
- Administrative operations of the Trust Fund Board.

In addition to the expenses that the Islands Trust has for these decision-making bodies, the Islands Trust also has administrative overhead in a variety of areas. For example, Finance, Human Resources, and Information Services serve all the employees and activities in the Islands Trust. Budgets for Islands Trust administration are not mentioned in the *Islands Trust Act*. However, it is common to allocate administrative overhead to all service areas, and this approach has also historically been used by the Islands Trust. As outlined in the *Islands Trust Policy Manual*, the Islands Trust's approach is to allocate General Administrative expenses to Trust Council, Local Planning Services, and the Islands Trust Fund in the detailed budget and in all financial planning. General Administrative expenses are allocated to these

program areas based on each program area's proportionate share of the overall Islands Trust budget. In the Islands Trust 2014-15 budget, General Administration allocations were as follows:

- Trust Council: 16% of General Administration Expenses
- Local Planning Services: 75% of General Administration Expenses
- Trust Fund: 9% of General Administration Expenses

Approximately 92 percent of Islands Trust revenues are generated through property taxation. Within the Islands Trust Area, the following taxes are applicable:

- **General Property Tax Levy in all Local Trust Areas**
  This tax provides revenue to fund the operations of Trust Council, the Executive Committee, and the administrative operations of the Islands Trust Fund Board. These costs are shared between the Local Trust Areas and any island municipalities (e.g. BIM), which fund these services separately through the municipal property tax levy. As well, the general property tax levy provides funding for the general operations of the Local Trust Committees. Costs for Local Trust Committees are paid for entirely by the Local Trust Areas (together as one unit for the purposes of taxation). The BIM does not contribute funding towards Local Trust Committee activities.

- **Special Property Tax Requisition for Water Protection on Salt Spring Island**
  The *Islands Trust Act* provides for special property tax requisitions to fund any additional operations of Local Trust Committees not already funded through the general property tax levy. Currently, there is one special property tax requisition for the coordination of water protection on Salt Spring Island. The property tax for this service applies to the Salt Spring Island Local Trust Area only.

- **Municipal Property Tax Levy for BIM**
  The municipal property tax levy for BIM reflects the municipal portion of the taxes required to fund the operations of Trust Council, the Executive Committee, and the administrative operations of the Islands Trust Fund Board. Sections 47(2)(b) and 47(6) of the *Islands Trust Act* set out the method for the calculation of the municipal tax requisition, currently applied to BIM only. The overall intent is to ensure that any municipal members of the Islands Trust only contribute towards those services that include their participation, and to ensure that municipal members do not contribute towards the costs of the Local Trust Committees.

  To determine the municipal tax requisition, the Islands Trust calculates a "Municipal Pool" from the approved budget. The "Municipal Pool" represents the net amount of expenses and revenues that a municipality is responsible for contributing towards, along with the Local Trust Areas. Once the "Municipal Pool" is calculated, the amount attributed to the municipality is calculated based on the portion of converted assessed values of the municipality compared with the total converted assessed values for the entire Islands Trust Area.

  The Islands Trust Policy Manual sets out a specific methodology for the calculation of the "Municipal Pool." In general, all Trust Council and all Islands Trust Fund expenses are included

in the "Municipal Pool," while expenses for "Local Planning Services" are not included in the "Municipal Pool." There are a variety of exceptions. For example, some Trust Council expenses are specifically excluded from the "Municipal Pool," and Mapping Services are allocated to the "Municipal Pool" at a rate of 20 percent based on a staff assessment of the proportionate amount of time spent on providing mapping services for the Trust Area as a whole (as opposed to Local Trust Committees).[4]

Unlike municipalities, the Islands Trust does not directly collect property taxes. Each year the Islands Trust provides the Province with a requisition amount (similar to the approach used for regional district electoral areas) for local planning services and Trust-wide services. Based on the Provincial Class Multiples, the Provincial Surveyor of Taxes then sets the tax rates to generate the necessary revenue, and collects these property taxes in the Local Trust Areas on behalf of the Islands Trust. This approach is also used for the special property tax requisition for the coordination of water protection on Salt Spring Island. For BIM (and for any potential future municipal members of the Islands Trust), the Islands Trust provides the municipality with a requisition amount, and the municipality collects property taxes on behalf of the Islands Trust.

In addition to property tax revenues, other Islands Trust revenue sources include a provincial grant to the Islands Trust, revenue from fees and sales, and interest income.

[4] The method for the "Municipal Pool" calculation is described in more detail in the Islands Trust Policy Manual Section 7.2.vi. (Municipal Tax Requisition Calculation), available at: http://www.islandstrust.bc.ca/media/232919/72vimunicipaltaxrequisitioncalculation.pdf

3.0 Impacts of Salt Spring Island Incorporation

3.1 Overview

This section of the report reviews impacts to the Islands Trust 2014-15 budget based on the removal of expenses for Salt Spring Island Local Planning Services. This section also reviews impacts to revenues, focusing on development fees, the current Provincial Grant to the Islands Trust, and revenue from taxation. The analysis identifies a projected annual funding shortfall of approximately $800,000, should Salt Spring Island incorporate as an Island Municipality. This $800,000 shortfall is the result of reduced revenues of $1.9 million, offset by reduced direct expenses of $1.1 million.

Notably, for the analysis in this Section of the report, the focus is on the impact of removing Salt Spring Island Local Planning Services from the Islands Trust budget. This analysis does not contemplate adjustments to Islands Trust management and administration expenses. Islands Trust management and administration provide indirect support to Salt Spring Island operations, and a Salt Spring Island municipal incorporation would result in incremental reductions in administrative workloads. The process to manage these workload reductions is beyond the scope of this report. However, Section 4 provides a range of possible Islands Trust response options to a Salt Spring Island municipal incorporation, including potential adjustments to management and administration expenses.

3.2 Impacts on Expenses

If Salt Spring Island were to become an Island Municipality, the Islands Trust would no longer incur direct expenses for the provision of Local Planning Services to Salt Spring Island, since responsibility for land use planning and regulation would shift to the new municipality.[5] Although expenses vary from year to year, a review of the 2014-15 detailed budget provides a point-in time snapshot of impacts to the Islands Trust if Salt Spring Island were to incorporate today. As illustrated in Table 3.1, the Islands Trust 2014-15 budget identifies approximately $1.13 million in direct expenses associated with the Local Planning Services on Salt Spring Island. With a municipal incorporation, these expenses would be removed from the Islands Trust budget (following a transition period).

[5] It is noted, however, that the Islands Trust would likely continue to provide contract planning services for a transition period following municipal incorporation.

Table 3.1 – Direct Expenses Associated with Local Planning Services on Salt Spring Island (Based on Islands Trust 2014-15 Detailed Budget)

Expenses	Amount
Staff Salary and Benefits (Planning and Bylaw Enforcement)	$707,092
Office Lease and Administration	$97,725
Staff Training and Travel	$17,900
Legal	$82,611
Trustee Remuneration, Meetings and Expenses	$83,899
Program Funding – Watershed Protection*	$110,000
Program Funding – Other	$28,500
Total:	**$1,127,727**

**Coordination of watershed protection is funded through a special requisition*

Further detail is provided below for each of the direct expenses associated with Local Planning Services on Salt Spring Island.

- **Staff Salary and Benefits (Planning and Bylaw):**
  On Salt Spring Island, there are several Islands Trust staff positions dedicated solely to the operations of the Salt Spring Island Local Trust Committee. In total, there are nine staff positions on Salt Spring Island, including the following:

  - Regional Planning Manager for Salt Spring Island;
  - Island Planner;
  - Planner 2;
  - Planner 1;
  - Planner 1;
  - Legislative Clerk (Deputy Secretary);
  - Planning Team Assistant;
  - Office Administrative Assistant; and,
  - Bylaw Enforcement Officer.

  Up until 2014, bylaw enforcement services were provided out of the Islands Trust Victoria office. However, one bylaw enforcement position has recently been relocated to Salt Spring Island.

  If Salt Spring Island were to incorporate, the planning and bylaw enforcement functions of the Islands Trust would become a municipal responsibility. As a result, beyond a transition period, the Islands Trust would no longer incur direct expenses to maintain a staff complement on Salt Spring Island, unless the municipality chooses to engage Islands Trust planners and bylaw enforcement officers on a contract basis.

  At this stage it is uncertain how the current staff positions would be transitioned if Salt Spring Island incorporates as a municipality. Potentially, current Islands Trust staff on Salt Spring Island may have opportunities to transition to a new municipality or remain with the Islands Trust in a

different capacity (e.g. filling existing vacancies). Nevertheless, for the purposes of this analysis, direct expenses associated with nine staff positions are removed from the Islands Trust budget.

- **Office Lease and Administration:**
  On Salt Spring Island, the Islands Trust leases a facility at 500 Lower Ganges Road from BC Hydro, with an annual lease cost of $48,000. The current lease term expires in February, 2015. Additionally, the Islands Trust incurs several expenses for the administration of this office. Examples include telecommunications charges, equipment leases, maintenance, and supplies.

- **Staff Training and Travel:**
  In a Salt Spring Island incorporation scenario, staff training and travel expenses for the Islands Trust Ganges office would no longer be applicable.

- **Legal:**
  Throughout the Trust Area, the Islands Trust budgets approximately $250,000 for legal expenses, primarily for bylaw enforcement litigation and general legal services. Although it is recognized that legal expenses may vary from location to location, estimated legal expenses of $83,000 are associated with Salt Spring Island based on the 2014-15 Islands Trust budget.

- **Trustee Remuneration, Meetings and Expenses:**
  If Salt Spring Island were to incorporate, the Local Trust Committee would be dissolved, and the Islands Trust would no longer incur expenses for the remuneration, meetings, and expenses in relation to the Local Planning Services function. Instead of the current remuneration of approximately $29,000 for each Salt Spring Island trustee, trustees drawn from the municipal council would receive a stipend of $3,200 for their role on Trust Council. For this role on Trust Council, remuneration and expenses are accounted for separately, associated specifically with Trust Council as opposed to Local Planning Services.

- **Program Funding – Watershed Protection:**
  The Salt Spring Island Watershed Protection Authority has a contract watershed coordinator, with funding for this position provided through the special property tax requisition for the coordination of watershed management. With a Salt Spring Island incorporation, the municipality would take the lead role in watershed protection, and the Islands Trust Special Requisition would no longer apply.

- **Program Funding – Other:**
  Funding for other planning programs is generally provided through the general property tax levy. Examples of other programs include implementation of the Riparian Areas Regulations, and other special projects such as the Ganges Village Plan or Industrial Land Use Bylaw update. With a Salt Spring Island incorporation, these types of programs would be undertaken by the municipality.

As illustrated in Figure 3.1 and Table 3.2, total Islands Trust expenses are reduced from $7.06 million to $5.93 million with the removal of Salt Spring Island Local Planning Services from Islands Trust operations (based on the 2014-15 detailed budget). The reduction of the Local Planning Services budget also has the significant effect of adjusting the Islands Trust's allocation of administrative overhead to each of the

program areas. In the Islands Trust budget, there are currently General Administration expenses of $1.49 million that are allocated to each program area based on its proportion of the total Islands Trust budget, as identified in Section 2.4. Because of the reductions to the Local Planning Services budget as a result of a Salt Spring Island incorporation, a higher proportion of General Administration expenses would be allocated to Trust Council and the Islands Trust Fund. Resulting General Administration allocation shifts and budget impacts are illustrated in Table 3.2.

Figure 3.1 – Comparison of Islands Trust Expenses
(2014-15 Budget versus Salt Spring Island Incorporation Scenario)

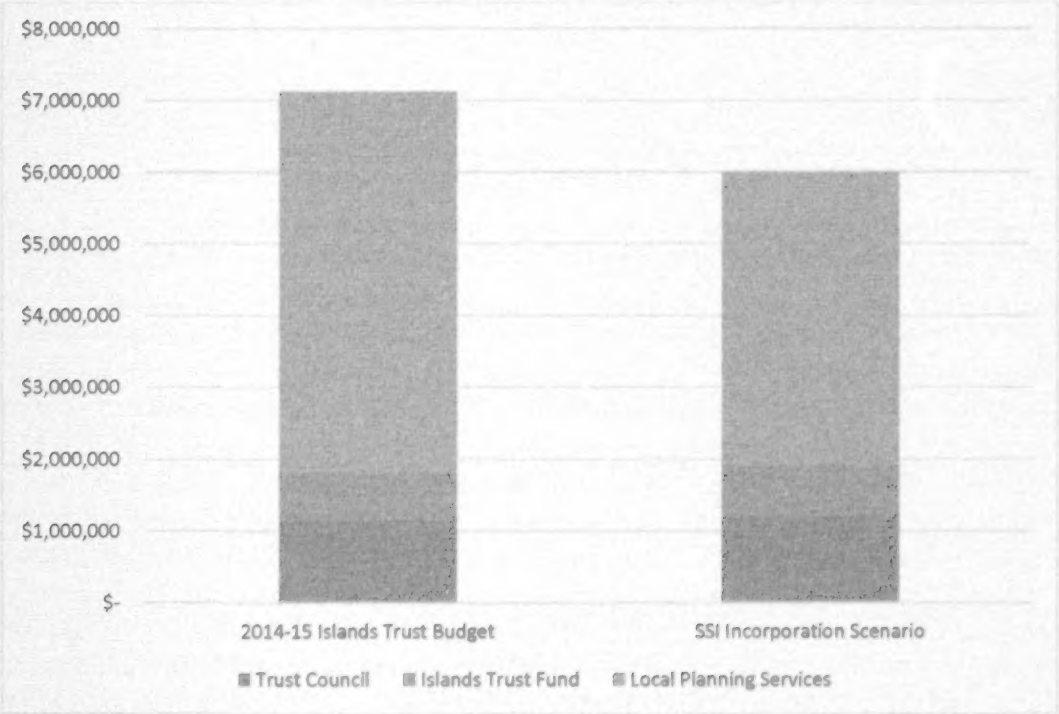


Table 3.2 – Comparison of Islands Trust Expenses
(2014-15 Budget versus Salt Spring Island Incorporation Scenario)

Program Area	2014-15 Expenses	2014-15 General Admin. Allocation	Incorporation Scenario Expenses	Incorp. Scenario Admin. Allocation
Trust Council	$1,149,508	16%	$1,208,937	20%
Islands Trust Fund	$659,877	9%	$704,450	12%
Local Planning Services	$5,314,695	75%	$4,082,966	68%
Less Amortization	-$65,000		-$65,000	
Total	$7,059,080		$5,931,353	

3.3 Impacts on Revenues

This section explores the direct impact to Islands Trust revenues as a result of removing Salt Spring Island Local Planning Services operations from the budget, and reducing Salt Spring Island property taxes accordingly. Salt Spring Island's tax revenues are reduced based on a review of Salt Spring Island tax revenues at the current rates, and potential Salt Spring Island tax revenues based on a municipal contribution, if Salt Spring Island were to incorporate as an Island Municipality. As well, there are a number of additional impacts to Islands Trust revenues such as development fees and grant income, as demonstrated below.

Based on current tax rates, a Salt Spring Island municipal incorporation results in a total decrease in Islands Trust revenues in the amount of $1.94 million, as illustrated in Table 3.3. Because there are $1.13 million in direct expenses associated with Salt Spring Island operations (as described in Section 3.2), there is a resulting deficit of approximately $800,000, which would need to be overcome. Potential scenarios to overcome this deficit are described in Section 4 of this report.

Table 3.3 – Impacts to Islands Trust Revenues as a Result of a Salt Spring Island Incorporation (Based on Islands Trust 2014-15 Detailed Budget)

Revenues	Amount
Reduction in General Property Taxes from SSI	-$1,785,259
Adjustment to BIM Taxes	$12,056
Special Requisition for Watershed Protection	-$110,000
Development Fees	-$41,285
Appropriation from Surplus	-$25,000
Grant Income	$10,000
Total:	**-$1,939,488**

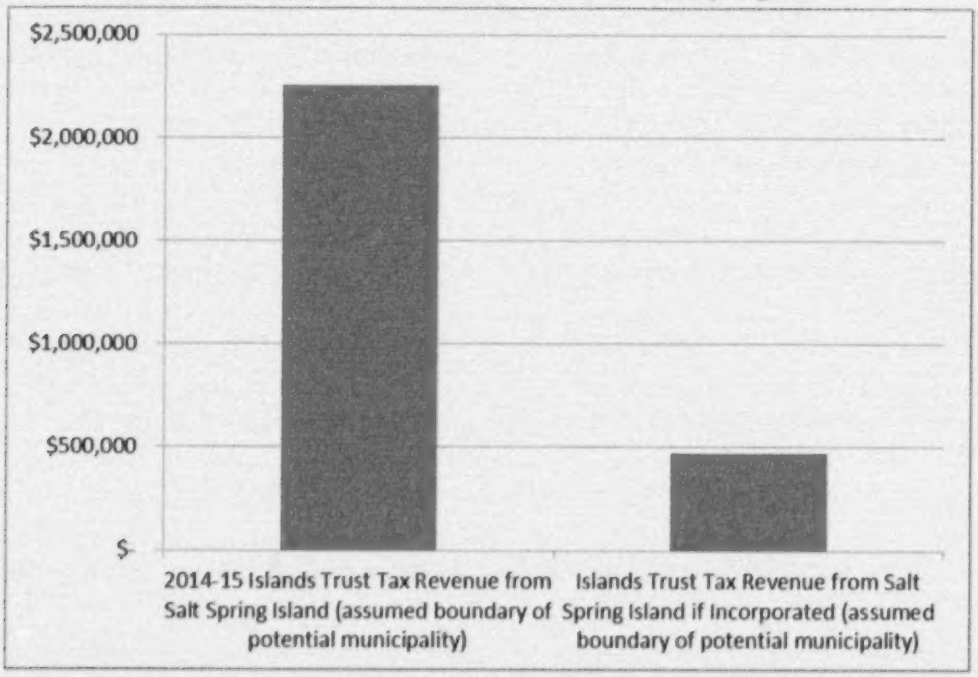
As illustrated in Table 3.3, approximately $1.79 million of the $1.94 impact to revenues is the result of decreases in Salt Spring Island property tax revenues to the Islands Trust, since Salt Spring Island would no longer contribute towards Local Planning Services. The impacts to Islands Trust revenues are described in more detail below.

- **Reduction in General Property Taxes from Salt Spring Island:**
  If Salt Spring Island were to incorporate, the primary impact to revenues would be in relation to property taxes. Currently, Salt Spring Island generates $2.26 million in property taxes for the Islands Trust through the general levy, after deducting the 5.25% Provincial Tax Collection Fee, applicable in unincorporated areas. As indicated earlier, if Salt Spring Island were to incorporate, it would no longer contribute towards Islands Trust Local Planning Services. The Local Trust Committee would be dissolved, and land use planning services would be taken on by the new municipality (though it is recognized that the Islands Trust could continue to provide land use planning services on a contract basis for a transition period). As a result, in relation to Islands

Trust taxes, Salt Spring Island would contribute towards Trust Council and the Islands Trust Fund only.

The Islands Trust municipal requisition (i.e. the amount required in tax revenue) for Salt Spring Island is calculated using the same methodology that is currently employed for BIM. With the removal of Salt Spring Island Local Planning Services from the Islands Trust budget, the Salt Spring Island tax requisition would be $470,000, meaning that there would be a $1.79 million overall decline in Islands Trust tax revenue from Salt Spring Island. Figure 3.2 illustrates this difference.

Figure 3.2 – Islands Trust Tax Revenue from Salt Spring Island


$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
2014-15 Islands Trust Tax Revenue from Salt Spring Island (assumed boundary of potential municipality)
Islands Trust Tax Revenue from Salt Spring Island if Incorporated (assumed boundary of potential municipality)

- **Adjustment to BIM Taxes:**
  Due to the adjustments in the allocation of General Administration expenses, identified in Section 3.2, there are relatively minor changes to the results of the municipal tax calculation. Because of the adjusted allocations of administrative expenses, the BIM tax requisition shifts from $214,653 to $226,709, representing a net increase of approximately $12,000.

- **Special Requisition for Watershed Protection:**
  As discussed in Section 3.2, under a Salt Spring Island incorporation scenario, the municipality would take a lead role in coordinating the approach to watershed protection on Salt Spring Island, and the Islands Trust's special requisition would be discontinued.

- **Development Fees:**
  Currently, the Islands Trust budget identifies approximately $41,000 in development fees attributable to Salt Spring Island. This revenue includes fees for typical development applications

such as Development Permits, Official Community Plan Amendments, and Zoning Bylaw Amendments. This revenue does not include fees for Building Permits, which are handled by the Capital Regional District.

- **Appropriation from Surplus:**
  The 2014-15 budget identifies a $25,000 appropriation from surplus associated with Salt Spring Island.

- **Grant Income:**
  Currently, the Islands Trust receives a grant from the Province, similar to a regional district basic grant. In 2014, the Islands Trust grant was $180,000. Of this amount, $120,000 is based on the overall population of the Trust Area, and $60,000 is based on the population of the unincorporated areas. With a Salt Spring Island incorporation, there would be no change to the $120,000 grant. For the second component based on the population of the unincorporated areas, the incorporation of Salt Spring Island would shift the Islands Trust's unincorporated area population into a different population category, and the grant would increase to $70,000. As a result, total Provincial Grant income to the Islands Trust would increase by $10,000 with a Salt Spring Island incorporation.

3.4 Summary

As identified, there are approximately $1.13 million in direct expenses associated with Salt Spring Island, and a potential decline in revenues in the order of $1.94 million. The result is a shortfall of approximately $800,000, as compared to the current 2014-15 Islands Trust budget. This shortfall could be addressed by adjusting tax rates for the other members of the Trust Area, by adjusting management, administrative and/or other expenses, or by using some combination of the two strategies. Scenarios with potential response options are explored in further detail in Section 4.

4.0 Response Options

4.1 Overview

The Islands Trust is a legislated entity, with corporate responsibilities that would continue after a potential municipal incorporation of Salt Spring Island. To understand how the Islands Trust could adapt after a Salt Spring Island municipal incorporation, a series of response options was identified. This analysis is intended to review potential required levels of changes to expenses and/or tax revenues, in order to ensure that the Trust continues as a viable entity, capable of carrying out its provincially mandated object.

The response options are based on four potential scenarios:

- **Scenario 1** explores the extent of service delivery reductions that would be required to overcome the $800,000 shortfall identified in Section 3 of this report. In this scenario, tax rates for the Local Trust Areas are held at current levels.

- **Scenario 2** explores the impact of adjusting tax rates for the Local Trust Areas in order to maintain service levels and avoid impacting current expenses for management and administration, as well as current expenses for Local Planning Services for the remaining Local Trust Areas.

- **Scenarios 3A and 3B** are two hybrid scenarios that explore both reductions to General Administration and Local Planning Services expenses, and adjustments to tax rates to offset the remaining shortfall.

4.2 Scenario 1 – Reduce Service Levels

This scenario removes $1.13 million in expenses from the Islands Trust budget, based on the direct expenses associated with Salt Spring Island Local Trust Committee and Local Planning Services (as identified in Section 3 of this report and as based on the Islands Trust 2014-15 detailed budget). This scenario also has reduced Islands Trust revenues in the order of $1.94 million (as identified in Section 3 of this report). Most of this reduction in revenues is attributable to the removal of Salt Spring Island from the Local Planning Services function, which results in a reduction of $1.79 million in Islands Trust tax revenues from Salt Spring Island.[6] For the remaining Local Trust Areas, revenues from taxation are maintained at current levels in this scenario. The resulting impact is an overall shortfall of approximately $800,000.

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[6] As illustrated in Section 3, the removal of Salt Spring Island from the Local Planning Services function results in a reduction of $1.79 million in Islands Trust tax revenues from Salt Spring Island.

Because direct facility and other expenses related to the Salt Spring Island office have already been eliminated in this scenario, most of this $800,000 shortfall would need to be overcome through additional service reductions and/or organizational changes to the Islands Trust. For illustrative purposes, it is noted that this shortfall is equivalent to about nine full-time staff positions based on typical remuneration levels.[7] However, there may also be other opportunities to eliminate expenses, such as reducing the Islands Trust's real estate footprint.

The current Islands Trust organization chart is included in Appendix B. As illustrated, in total, there are 51 staff positions within the organization, including those positions currently associated with the Salt Spring Island office. After accounting for the transition of the nine Salt Spring Island positions, there are 42 remaining staff positions.[8] If nine further positions had to be eliminated to make up the deficit associated with the removal of Salt Spring Island expenses and revenues from the Islands Trust budget, the total staff complement would be reduced by a further 21 percent, to a total staff complement of 33.

This impact would be substantial, making it difficult for the Islands Trust is to carry out its mandate in the way it does now. In response, the Islands Trust would need to reduce the current levels of Local Trust Committee planning services (e.g. land use planning and regulation, development application processing) and/or Trust Area Services (e.g. advocacy, communications, policy work, and Islands Trust Fund management). As a result, Scenarios 2 and 3 explore the alternatives of maintaining services levels and adjusting tax rates (Scenario 2), or combining reduced expenses with adjustments to tax rates (Scenario 3).

4.3 Scenario 2 – Maintain Service Levels

In this scenario, no additional changes are made to Islands Trust expenses, beyond removing the direct expenses associated with Salt Spring Island Local Trust Committee and Local Planning Services, as identified in Section 3 of this report. Islands Trust tax revenues from Salt Spring Island are based on the current municipal calculation formula, resulting in municipal requisitions of:

- $470,000 for Salt Spring Island (based on the net taxable assessment in the Salt Spring Island Electoral Area, which would most likely reflect the municipal boundary); and,
- $227,000 for BIM (as compared to $215,000 in the 2014-15 budget year).

Because of the previously described adjustments to the allocation of administrative overhead, the BIM requisition represents an increase of approximately $12,000 compared to the current municipal requisition. On BIM, this increase translates into a Class 1 property tax rate difference of 0.0080 per $1,000 of assessed value, or an increase of $4.00 for a residential property assessed at $500,000.

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[7] Staff salary calculation assumes $70,000 base salary plus 24% in benefits.

[8] As indicated previously, at this stage it is uncertain how staff transitions may occur. Potentially staff may have opportunities to join a newly incorporated municipality or transition to other roles (e.g. existing vacancies) in the Islands Trust.

In this scenario, property taxes are raised for the remaining Local Trust Areas (not including Salt Spring Island), to a level sufficient to overcome the previously identified shortfall of approximately $800,000. This approach maintains the same staffing levels for Trust Area-wide services, as well as Local Planning Services for the remaining Local Trust Areas. As with the current situation, the General Levy for the Local Trust Areas assists in funding Trust Council and Islands Trust Fund functions throughout the Trust Area, and fully funds the Local Planning Services in the Local Trust Areas.

In this scenario, for the remaining Local Trust Areas, the total requirement for revenue from taxation is $4.68 million. This revenue requirement represents a 21 percent increase over the $3.87 million currently generated in property tax revenue from the Local Trust Areas (not including Salt Spring Island). As a result, after accounting for the 5.25 percent Provincial tax collection fee, the Class 1 tax rate for the general levy increases from 0.7573 per $1,000 of assessed value to 0.9348 per $1,000 of assessed value. This increase results in a Class 1 property tax difference of 0.1775 per $1,000 of assessed value, or an overall increase in property taxes of 23 percent, when accounting for the 5.25 percent Provincial tax collection fee. Table 4.1 illustrates these property tax impacts on sample residential properties.

Table 4.1 – Scenario 2 Property Tax Impacts in Remaining Local Trust Areas

Residential Property	Current IT Taxes	Projected IT Taxes	Tax Increase
Islands Trust taxes for every $100,000 of value	$76	$93	$18
Islands Trust taxes for $350,000 property (avg. for area)	$265	$327	$62
Islands Trust taxes for $500,000 property	$379	$467	$89

4.4 Scenarios 3A and 3B - Hybrids

In these two related scenarios, strategies are pursued to achieve further reductions in Islands Trust expenses, while also adjusting tax rates to overcome a remaining shortfall. The first scenario (Scenario 3A) identifies the impact of approximately $400,000 in expense reductions, while the second scenario (Scenario 3B) identifies the impact of approximately $200,000 in expense reductions. The remaining shortfalls (of about $400,000 in Scenario 3A and $600,000 in Scenario 3B) would need to be made up through increases taxation.

4.4.1 *Scenario 3A – Reduce Expenses by $400,000*

To determine an appropriate target for further reductions in Islands Trust expenses, one method is to use Salt Spring Island's current proportionate share of the General Administration allocation to the Local Planning Services budget. Salt Spring Island's proportionate share of this General Administration allocation represents the best approximation of overall indirect support currently provided to Salt Spring Island operations through the General Administration budget. Based on a review of the General Administration expenses allocated to the Local Planning Services budget, it is estimated that Salt Spring Island's proportionate share of the General Administration allocation is just over $400,000, based on

converted assessment.[9] This figure also represents approximately half of the $800,000 deficit associated with the removal of Salt Spring Island Local Planning Services from the Islands Trust budget.

In pursuing strategies to further reduce Islands Trust expenses in the order of $400,000, there would be inherent difficulties in focusing solely on reductions to staffing for General Administration. Given that there are currently less than 10 FTE (full-time equivalent) positions allocated to the General Administration functions of the Islands Trust, it is unlikely that budget reductions of this magnitude could be achieved solely from the General Administration budget. As a result, a more multi-faceted strategy would be required, involving a variety of program areas.

In order to achieve reductions in the order of $400,000, there are a variety of approaches that could be taken, and further analysis would be required to identify a preferred strategy. For the purposes of this report, to illustrate the magnitude of changes that would be required in this scenario, and to identify the impact of changes in a variety of program areas (as opposed to focusing only on General Administration), the following adjustments were made to the Islands Trust 2014-15 budget:

- Reduced GIS/mapping budget by $14,000 to reflect reduced workload associated with the removal of Salt Spring Island from the Local Planning Services function;
- Reduced budget for administration/finance/communications by $176,000; and,
- Reduced budget for Local Planning Services by $210,000.[10]

These budget adjustments are examples only. Ultimately, adaptation strategies would be undertaken at the discretion of the Islands Trust.

While budget reductions of this magnitude reflect Salt Spring Island's proportionate share of the General Administration expenses that are currently allocated to the Local Planning Services function, it is important to note that in actual fact, it is unlikely that workloads would be reduced at these levels. Salt Spring Island is currently one of twelve Local Trust Areas. In many cases, certain staff may have a slightly reduced workload (e.g. GIS/mapping staff would no longer be required to prepare mapping for Salt Spring Island bylaws, and communications staff would no longer be responsible for providing communications support in relation to planning issues on Salt Spring Island). However, staff would still be responsible to carry out their duties for the remaining eleven Local Trust Areas. As well, if Salt Spring Island incorporated, it would be an Island Municipality, with a continued role in relation to Trust Council and the Islands Trust Fund. Therefore, from a workload perspective, it would be difficult to reduce resources for those positions that provide significant support to Trust Council and Islands Trust Fund.

In this scenario, there are slight adjustments to the calculation of municipal tax contributions to the Island Trust, due to reductions in the level of expenses for administration and mapping. As a result, municipal requisitions change to:

- $433,000 for Salt Spring Island (as compared to $470,000 in Scenario 2); and,

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[9] Calculation is based on $1.11 million in General Administration expenses allocated to the Local Planning Services budget. Salt Spring Island represents approximately 37 percent of the converted assessment in the Local Trust Areas.

[10] It is understood that program funding requirements for Local Planning Services may be reduced in upcoming years with the completion of a project to implement the Provincial Riparian Areas Regulation and complete significant OCP reviews. As well, with the removal of Salt Spring Island operations, there may be an opportunity to streamline the management of Local Planning Services.

- $209,000 for BIM (as compared to $227,000 in Scenario 2 and $215,000 in the 2014-15 budget year).

For Class 1 (Residential) properties, these reductions in municipal requisitions result in modest decreases in Islands Trust taxes. The Class 1 property tax rate difference is 0.0120 per $1,000 of assessed value, or a decrease of approximately $6.00 for every $500,000 of assessed value.

In this scenario, property taxes are increased for the remaining Local Trust Areas (not including Salt Spring Island). For the general levy applicable to the Local Trust Areas, the requirement for revenue from taxation is $4.34 million. This revenue requirement represents a 12 percent increase over the $3.87 million currently generated in property tax revenue from the Local Trust Areas (not including Salt Spring Island). As a result, after accounting for the 5.25 percent Provincial tax collection fee, the Class 1 tax rate for the general levy increases from 0.7573 per $1,000 of assessed value to 0.8654 per $1,000 of assessed value. This increase results in a Class 1 property tax difference of 0.1081 per $1,000 of assessed value, or an overall increase in property taxes of 14 percent, when accounting for the 5.25 percent Provincial tax collection fee. Table 4.2 illustrates these property tax impacts on sample residential properties.

Table 4.2 – Scenario 3A Property Tax Impacts in Remaining Local Trust Areas

Residential Property	Current IT Taxes	Projected IT Taxes	Tax Increase
Islands Trust taxes for every $100,000 of value	$76	$87	$11
Islands Trust taxes for $350,000 property (avg. for area)	$265	$303	$38
Islands Trust taxes for $500,000 property	$379	$433	$54

4.4.2 *Scenario 3B – Reduce Expenses by $200,000*

It is recognized that beyond the removal of direct Salt Spring Island expenses from the Islands Trust budget, it may be ambitious to eliminate an additional $400,000 from the annual budget, as identified in Scenario 3A. Therefore, an additional scenario (3B) was identified, reflecting a reduction of just under $200,000 in expenses. For this scenario, the following adjustments were made to the Islands Trust budget:

- Reduced GIS/mapping budget by $14,000 to reflect reduced workload associated with the removal of Salt Spring Island from the Local Planning Services function;
- Reduced budget for administration/finance/communications by $91,000; and,
- Reduced budget for Local Planning Services by $87,000.

As with Scenario 3A, these budget adjustments are examples only. Ultimately, adaptation strategies would be undertaken at the discretion of the Islands Trust.

This scenario represents a more modest adjustment to Islands Trust expenses, likely necessitating the reductions in the order of two to three FTE positions in addition to those directly associated with Salt Spring Island operations.

As with Scenario 3A, in this scenario, there are slight adjustments to the calculation of municipal tax contributions to the Island Trust, due to reductions in the level of expenses for administration and mapping. As a result, municipal requisitions change to:

- $452,000 for Salt Spring Island (as compared to $470,000 in Scenario 2); and,
- $218,000 for BIM (as compared to $227,000 in Scenario 2 and $215,000 in the 2014-15 budget year).

For Class 1 (Residential) properties, these reductions in municipal requisitions result in very modest decreases in Islands Trust taxes. The Class 1 property tax rate difference is .0057 per $1,000 of assessed value, or a decrease of about $3.00 for every $500,000 of assessed value.

In this scenario, property taxes are increased for the remaining Local Trust Areas (not including Salt Spring Island). For the general levy applicable to the Local Trust Areas, the requirement for revenue from taxation is $4.52 million. This revenue requirement represents a 17 percent increase over the $3.87 million currently generated in property tax revenue from the Local Trust Areas (not including Salt Spring Island). As a result, after accounting for the 5.25 percent Provincial tax collection fee, the Class 1 tax rate for the general levy increases from 0.7573 per $1,000 of assessed value to 0.9018 per $1,000 of assessed value. This increase results in a Class 1 property tax difference of 0.1446 per $1,000 of assessed value, or an overall increase in property taxes of 19 percent, when accounting for the 5.25 percent Provincial tax collection fee. Table 4.3 illustrates these property tax impacts on sample residential properties.

Table 4.3 – Scenario 3B Property Tax Impacts in Remaining Local Trust Areas

Residential Property	Current IT Taxes	Projected IT Taxes	Tax Increase
Islands Trust taxes for every $100,000 of value	$76	$90	$14
Islands Trust taxes for $350,000 property (avg. for area)	$265	$316	$51
Islands Trust taxes for $500,000 property	$379	$451	$72

4.5 Summary

Each of the above scenarios represents a possible Islands Trust response to the potential incorporation of Salt Spring Island. As indicated, the response options are hypothetical in nature at this stage. If Salt Spring Island were to incorporate as a municipality, the ultimate shape of the Islands Trust response would be at the discretion of the Islands Trust. Nevertheless, the hypothetical response options illustrate the potential magnitude of changes to expenses and/or revenues that would be required if Salt Spring Island were to become a municipality. Figure 4.1 summarizes the potential revenue requirements for each scenario, as compared to the Islands Trust 2015-15 budget. As indicated, with significant reductions in tax revenues from Salt Spring Island, the Islands Trust would face choices as to whether it should significantly reduce services and expenses, raise taxes in unincorporated areas, or deploy some combination of these two potential strategies.

Figure 4.1 – Sources of Islands Trust Taxation Revenue[11]
2014-15 Budget vs. Possible Scenarios to Respond to Potential Incorporation of Salt Spring Island

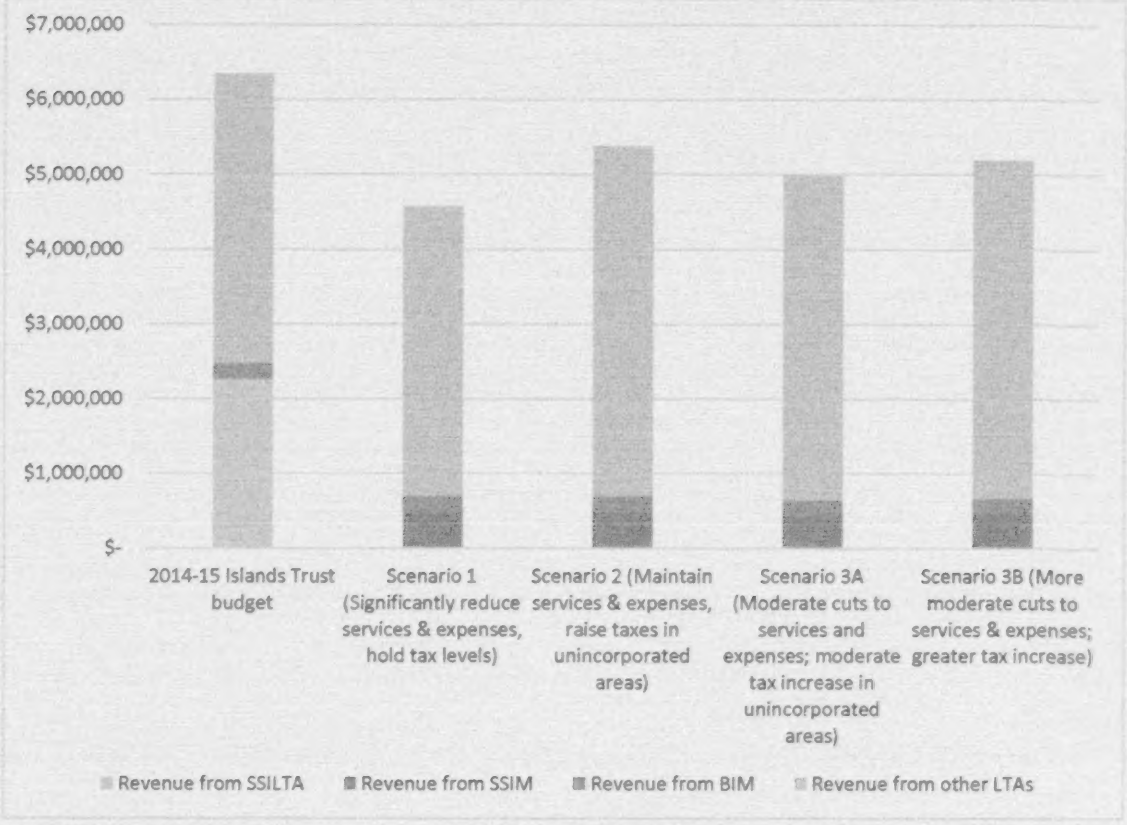
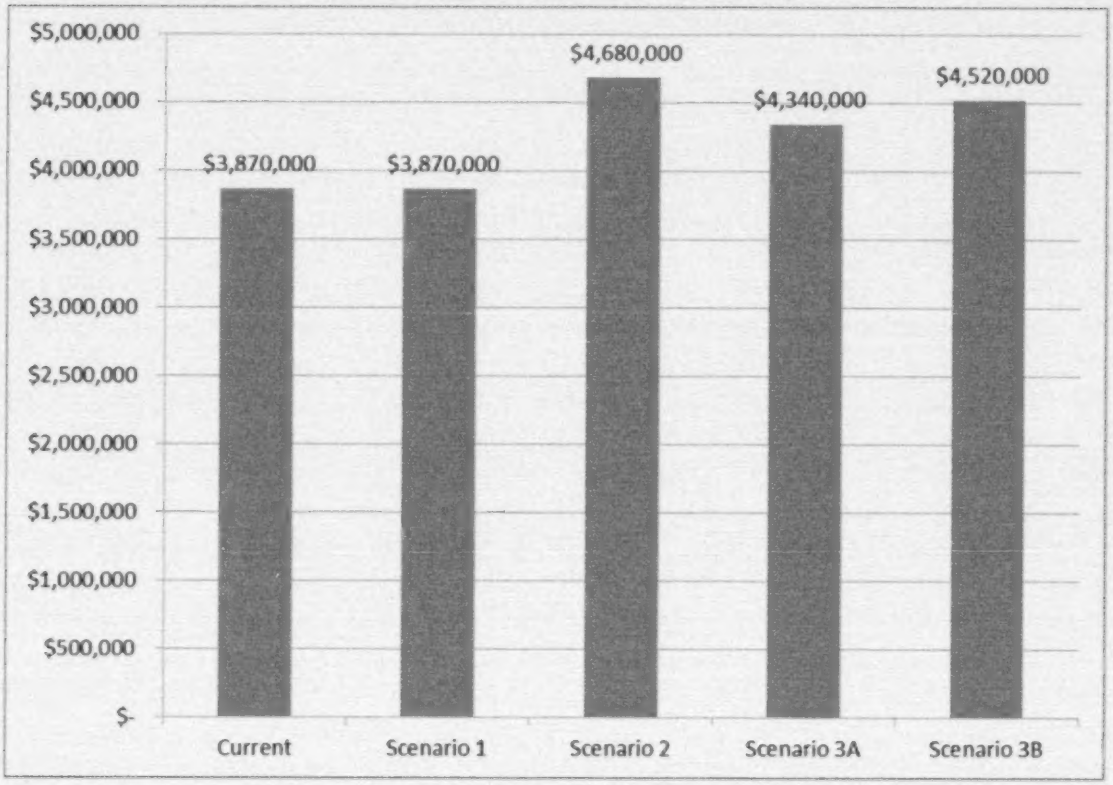

$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$-
2014-15 Islands Trust budget
Scenario 1 (Significantly reduce services & expenses, hold tax levels)
Scenario 2 (Maintain services & expenses, raise taxes in unincorporated areas)
Scenario 3A (Moderate cuts to services and expenses; moderate tax increase in unincorporated areas)
Scenario 3B (More moderate cuts to services & expenses; greater tax increase)
Revenue from SSILTA
Revenue from SSIM
Revenue from BIM
Revenue from other LTAs

Figure 4.2 illustrates the different property taxation requirements for the Local Trust Areas in relation to each scenario. As demonstrated, Scenario 1 reflects the current property tax contributions from the Local Trust Areas (not including Salt Spring Island), but it would also necessitate reductions in expenses in the order of $800,000. These reductions are over and above those identified with the removal of Salt Spring Island Local Planning Services from the Islands Trust budget. Scenario 2 identifies the property taxation requirement if no further reductions were made to the Islands Trust budget beyond the removal of Salt Spring Island operations. Scenarios 3A and 3B illustrate the property taxation requirements associated with two hybrid scenarios, which reduce expenses by about $400,000 and $200,000 respectively.

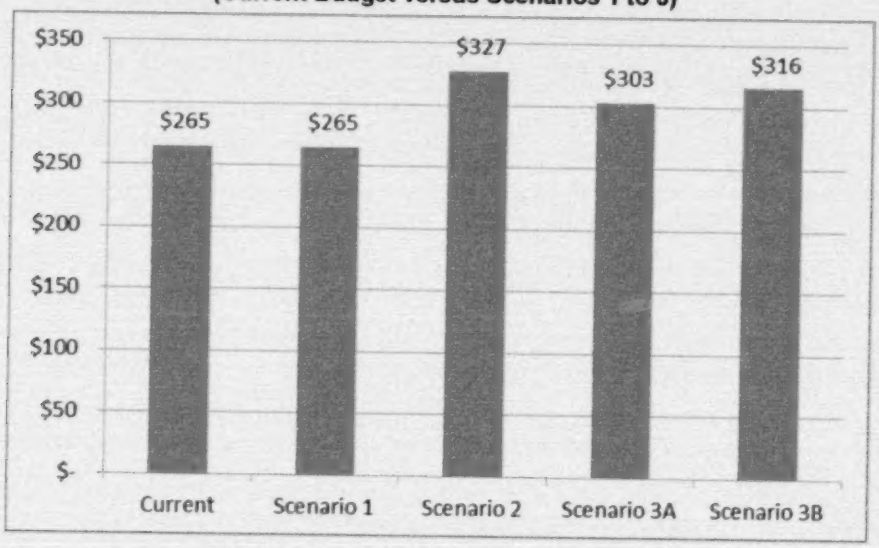
[11] For illustrative purposes, Scenario 1 illustrates a potential Salt Spring Island tax requisition of $470,000, consistent with the analysis in Section 3 of this report, and consistent with the municipal requisition in Scenario 2. In practice, if Scenario 1 included reductions in administration (as opposed to further reductions in Local Planning Services), municipal requisitions would decline accordingly, based on the current municipal tax requisition calculation.

Figure 4.2 – Estimated Property Taxation Requirements from Local Trust Areas (Current Budget versus Scenarios 1 to 3)



For the Local Trust Areas, property tax impacts for each scenario are summarized in Figure 4.3, using a $350,000 Class 1 (Residential) property for a point of comparison. This figure represents the average assessed value of Class 1 (Residential) properties in Local Trust Areas not including Salt Spring Island. As illustrated, based on current tax rates, a $350,000 property pays about $265 in Islands Trust property taxes. In Scenario 1, there is no change. In Scenario 2, there is an $800,000 deficit to be overcome through property taxation. As a result, Islands Trust property taxes increase to $327 for a $350,000 property in an unincorporated area. In Scenarios 3A and 3B, which involve a combination of decreases to expenses and adjustments to property taxation, property taxes are $303 and $316 respectively, for a $350,000 property in an unincorporated area.

Figure 4.3 – Islands Trust Property Taxes for $350,000 Class 1 (Residential) Property (Current Budget versus Scenarios 1 to 3)



To maintain current tax levels, Scenario 1 would involve a high level of reductions in Islands Trust expenses beyond those directly associated with the removal of Salt Spring Island operations from the Islands Trust Budget. Conversely, Scenario 2 involves property tax increase of 23 percent to offset the deficit. Therefore, it is likely that a version of Scenario 3A or 3B would need to be pursued to balance potential property tax increase with the need to ensure that the Islands Trust remains capable of continuing to fulfil its Provincial mandate with a reasonable complement of staff.

5.0 Historical Review and Transition Management

5.1 Overview

The 1999 municipal incorporation of Bowen Island provides a precedent for the establishment of an Island municipality within the Islands Trust Area. A brief review of the Bowen Island experience highlights a number of considerations related to the transition period and transfer of services following a municipal incorporation. Additionally, with the possibility of a Salt Spring Island municipal incorporation, there are several other Islands Trust-related considerations not already discussed in this report. Examples of these considerations include impacts to staffing, taxation approaches in the remaining Local Trust Areas, and the overall strength and resilience of the Islands Trust.

5.2 Bowen Island Experience

5.2.1 *Framework for Incorporation of Municipalities*

In 1996, a few years after the *Islands Trust Act* was amended to allow for the incorporation of Island Municipalities, the Province and the Islands Trust entered into an agreement establishing a framework for incorporation of municipalities within the Trust area.[12] This agreement clarified the new legislative provisions and identified a number of issues to be addressed in the Letters Patent of any new Island municipality. This agreement is still in effect. Highlights of the agreement include:

- further detail on the restructure process, including the role of the study committee;
- provision for "double direct" voting to identify those municipal councillors are appointed to the Islands Trust Council;
- clarification on the policy relationship between Trust Council and an Island municipality, including a requirement for Islands Trust approval of Official Community Plan bylaws, and a requirement for the municipality in all its actions to have regard for the Trust Policy Statement and Trust object (now contained in *Islands Trust Act,* sections 16, 38 and 39.1);
- a requirement for an Island municipality to enter into discussions with the Trust for the purposes of establishing a protocol agreement regarding inter-jurisdictional communications;
- transition provisions to ensure that all existing Local Trust Committee bylaws have effect as municipal bylaws (now contained in *Local Government Act*, section 24), and that all assets and liabilities of a Local Trust Committee be transferred to a municipality; and,
- administrative and financial provisions to ensure that an Island municipality contributes to costs of operations of Trust Council, Executive Committee and Trust Fund Board (now contained in

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[12] *Ministry of Municipal Affairs. Government of British Columbia. "Agreement Between the Trust Council and the Ministry of Municipal Affairs Establishing a Framework for the Incorporation of Municipalities Within the Trust Area." February 20, 1996. Available online at:* http://islandstrust.bc.ca/tc/pdf/orgagrfeb201996pro.pdf

Islands Trust Act, section 47(2)(b)), and also enters into a three year contract for Local Planning Services unless otherwise agreed by the Trust and the Island municipality.

When Bowen Island incorporated as an Island municipality in 1999, many of these provisions were written directly into the Letters Patent for the new municipality.

5.2.2 *Bowen Island Incorporation*

At the time of Bowen Island's incorporation as an Island Municipality in 1999, the Islands Trust maintained a small Bowen Island office with two full-time planners. These planners worked under the direction of the Islands Trust Executive Director, based out of Victoria, but were responsible for carrying out a work program and other land use decisions of BIM. Prior to opening the Bowen Island office, the Bowen Island planners worked originally out of the Victoria office, and then the Gabriola Island office.

With the incorporation of Bowen Island, the municipality entered into a three year contract with the Islands Trust whereby the Islands Trust continued to provide local planning services to the municipality. In addition, the BIM continued to pay its share of the costs of Trust Council and the Trust Fund Board in accordance with the legislation. The planning contract cost represented the pro-rata share of the Islands Trust Local Planning Services budget, net of fees, charges and other revenues, based on the value of net taxable assessment in the municipality in relation to the net taxable assessment of the Trust Area as a whole. During this transition period, BIM paid approximately the same contributions to the Islands Trust as it made pre-incorporation. However, development application fees were received by the municipality.

It is important to note that during this transition period, Islands Trust revenues were virtually unchanged, because of the agreement that was in place for the provision of contract planning services. Throughout the transition period, BIM provided office space, while the Islands Trust provided office equipment. During the three year period following incorporation, the Islands Trust also provided transitional assistance with mapping services, bylaw enforcement services on request, and planning clerk and secretarial services for a short period until BIM took on these responsibilities. The Islands Trust also hosted the BIM land use bylaws on the Islands Trust website for a short period.

Following municipal incorporation, the BIM had a desire to take on local planning services prior to the completion of the contract, and an agreement was reached for early termination of the contract. Near the end of the three-year contract, the municipality hired its own planning staff, and Islands Trust staff provided orientation. At this time, mapping and bylaw enforcement responsibilities were also transferred to the municipality. As outlined in the *Islands Trust Act*, the Islands Trust continues to have a role in land use planning on BIM, through the requirement for Islands Trust approval of Official Community Plan amendments, to ensure that Trust Policy Statement and the object of the Trust is upheld. As well, there are continued, regular opportunities for staff collaboration and joint training on planning issues facing both the Island municipality and the Local Trust Areas.

As indicated previously, BIM continues its participation as a member of the Islands Trust through its involvement on Trust Council, where it has two representatives, drawn from its municipal council. In all its actions, BIM has a responsibility to uphold the Islands Trust object. In 2000, following up on a requirement in the Letters Patent, the municipality and the Islands Trust entered into a Protocol

Agreement, which was subsequently rewritten in 2010.[13] With a focus on mutual respect and the benefits of a positive working relationship, the Protocol Agreement sets out processes for referral and consideration of amendments to the Trust Policy Statement, Bowen Island Official Community Plan bylaws, and other BIM bylaws. The Protocol Agreement also deals with financial and administrative arrangements, setting out a process for the annual review of the municipal tax requisition, and providing channels for information sharing. Finally, the Agreement encourages regular communication between the Islands Trust and the municipality on matters that may affect either party, and it establishes basic communications protocols to ensure that there is regular and ongoing discussion between the parties.

5.2.3 *Impact of Bowen Island Incorporation on Islands Trust*

When BIM incorporated, only the two Islands Trust planners were impacted from a direct staff perspective. The new municipality offered at least one of the planners a position, and the planner declined. One of the two planners stayed with the Islands Trust, and was able to fill a Local Planning Services position for the other Local Trust Areas.

The BIM planning contract costs were approximately $338,000 in Year 1 (2000-01), $351,000 in year 2 (2001-02), and $224,000 in Year 3 (2002-03), when the contract was in place only for part of the year. In 2003-04, when the BIM contract for planning services ended, the Islands Trust also experienced a significant decrease to the Provincial Grant to the Islands Trust (as part of Province-wide grant reductions unrelated to the Bowen Island municipal incorporation). As a result, revenues in the 2003-04 Islands Trust budget decreased by $244,000, and there was a resulting 5.7 percent property tax increase over the previous year. At this time, the Islands Trust's general strategy was to combine base budget reductions, staffing adjustments, and tax increases to achieve a balanced budget, with the expectation that beyond this transition period, only modest annual tax increases would be required.

When BIM incorporated, the Islands Trust did not need to make major staffing adjustments, since the impact of the incorporation was substantially smaller than the potential impact of a Salt Spring Island incorporation. However, at the time, the Islands Trust combined the former Executive Director position with the Director of Trust Area Services position, formally creating a new Chief Administrative Officer (CAO) position. In making this adjustment, cost savings were realized by combining two positions. As well, at the time, the Islands Trust eliminated the equivalent of about 0.6 FTE for a receptionist position. Nevertheless, in the years following the BIM incorporation, the Islands Trust re-established both the Director of Trust Areas Services position and the receptionist position to meet organizational needs.

5.3 Implications and Other Considerations

The Bowen Island experience is instructive in illustrating how the transition phase and transfer of services occurs following the incorporation of an Island municipality. With the possibility of a Salt Spring Island municipal incorporation, additional Islands Trust-related considerations, beyond those already discussed

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[13] *Islands Trust Council/Bowen Island Municipality Protocol Agreement. September 14, 2010. Available online at: http://islandstrust.bc.ca/tc/pdf/orgagrsep142010oth.pdf*

in this report, involve staffing, approach to taxation for the remaining Local Trust Areas, redistribution of smaller islands within the current Salt Spring Island Local Trust Area, and overall strength and resilience of the Islands Trust as an organization. These considerations are discussed below.

5.3.1 *Transition Phase and Staffing*

Based on the agreement between the Province and the Islands Trust establishing a framework for the incorporation of municipalities in the Trust Area, there would be a three year transition phase for Local Planning Services. During this period, the Islands Trust would continue to provide contract planning services to a new municipality, and the municipality would contribute the same property tax revenues to the Islands Trust as it currently contributes for these services. This transition period allows the new municipality time to build up its own capacity to undertake the planning function, and it also provides a three year period following an incorporation for the Islands Trust to plan for the transition of services and the resulting budget impacts.

In the Bowen Island experience, it was felt that three years was too long for the transition of planning services, and as described above, the municipality requested an earlier completion to the planning contract. Given this experience, there is likely merit to considering a two year period for the provision of contract planning services. This shorter timeframe would help to alleviate any uncertainty for Islands Trust staff, providing earlier clarity on potential new roles within the municipal organization. Should two years not be sufficient to achieve a smooth transition of services, the municipality and the Islands Trust could, by mutual agreement, extend contract planning services for a third year.

At the Islands Trust, staff are appointed subject to the Public Service Act, and any human resources policies relevant to the Public Service Agency apply. Islands Trust union staff are members of the BC Government Employees Union (BCGEU), which has negotiated a collective agreement with the Public Service Agency. Any labour implications as a result of a Salt Spring Island incorporation would require consideration from the Public Service Agency at that time.

5.3.2 *Special Property Tax Levies*

In the past, the Islands Trust has considered greater use of special property tax levies to fund services provided to the Local Trust Areas. At present, there is one special property tax levy on Salt Spring Island for the coordination of watershed protection, as described earlier in this report. Potentially, further use of special property tax levies could help to ensure that all Local Trust Areas receive a base level of service, with lower funding requirements. Special projects beyond the day to day Local Planning Services functions would then be funded through special requisitions. Such an approach would help to ensure that Local Trust Areas with additional program requirements contribute directly towards those program requirements without spreading the costs to other Local Trust Areas that may not necessarily benefit. In the context of increased funding requirements for the Local Planning Services function of the Islands Trust, this strategy could be useful in maintaining a lower general levy that includes a base level of planning services.

The Islands Trust Policy Manual includes a Special Property Tax Requisition policy that currently permits an individual Local Trust Committee to request a special requisition for additional operations that are not

included within the general operations of all Local Trust Committees. Special requisitions are approved by Trust Council for:

- programs or services not offered in all Local Trust Areas;
- enhanced service levels that reflect unique demands or additional powers that the Islands Trust has delegated to a Local Trust Committee by bylaw (i.e. the Salt Spring Island requisition for coordination of watershed protection); or,
- activities and programs beyond the capacity of the base budget.

Special requisitions should not be used to fund regular initiatives such as scheduled Official Community Plan reviews or bylaw updates. However, if Local Trust Committees wish to undertake additional significant projects that are unique to their Local Trust Area, special requisitions should be considered. According to the Islands Trust Policy Manual, a special requisition will not be considered for an amount less than $5,000 per Local Trust Committee. Recognizing the administrative effort required to initiate a special requisition, consideration should be given to raising this minimum amount that would be required for further special requisitions.

5.3.3 *Redistribution of Smaller Islands within Salt Spring Island LTA*

As identified previously, if Salt Spring Island were to incorporate as a municipality, it is likely that the municipal boundary would match the current boundary of the Salt Spring Island Electoral Area. The Salt Spring Island Electoral Area boundary does not include some associated islands (e.g. Piers Island, Prevost Island) that are currently part of the Salt Spring Island Local Trust Area (LTA). As a result, with a municipal incorporation, there would be a need to redistribute these islands to other adjacent Local Trust Areas. For these islands, local planning services would continue to be provided by the Islands Trust; however, planning services would be provided by the Islands Trust Victoria office rather than the current Salt Spring Island office. In determining the administrative redistribution of these smaller islands, care should be taken to ensure that islands within one Local Trust Area would be located within the same regional district.

5.3.4 *Strength and Resilience of the Islands Trust*

If Salt Spring Island were to incorporate as a municipality, Trust Council would have one less Local Trust Area, and one more Island Municipality. As the Islands Trust is a federation with equal representation from each of its members, Trust Council would continue to have twenty-six elected trustees in total. However, rather than having two trustees from incorporated areas (i.e. Bowen Island), Trust Council would have four trustees from incorporated areas (i.e. Bowen Island and Salt Spring Island).

Should Salt Spring Island incorporate as a municipality, the main functional change would be the removal of Salt Spring Island from the Islands Trust's Local Planning Services function. The Islands Trust is already structured to provide some functions to the entire Trust Area, while the Local Planning Services function is provided only to the unincorporated islands. With the removal of Salt Spring Island from Local Planning Services, over half of the Trust Area population would no longer receive Local Planning Services from the Islands Trust. In relation to its core mandate, the Islands Trust would continue to provide Trust Area-wide functions (e.g. area-wide policy and advocacy work, management of the Islands

Trust Fund) for the entire Trust Area, and Local Planning Services for eleven (rather than twelve) Local Trust Areas.

If Salt Spring Island were to become an island municipality, the majority of the Islands Trust's constituency would receive Trust Area-wide services only. To enhance the strength of the Islands Trust with two municipal members, one possibility (raised for discussion purposes only) may be to enhance the relationship between the Islands Trust Policy Statement and Official Community Plans for Island Municipalities and Local Trust Areas. Currently, adopted Official Community Plans must be consistent with the Islands Trust Policy Statement. Potentially, an enhanced Trust Policy Statement could effectively function as a high-level land use plan for the entire Trust Area. The Trust Policy Statement could stipulate content to be included in all Official Community Plans in the Trust Area, and Official Community Plans could be required to include Context Statements to demonstrate how they conform to the Trust Policy Statement. This approach would be similar to the approach undertaken in many regional districts today (i.e. regional context statements consistent with a Regional Growth Strategy). It is noted that this approach is within the purview of the Islands Trust, and no legislative changes would be required.

In relation to the resilience of the Islands Trust, another significant issue is the potential loss of revenue for Local Planning Services, should Salt Spring Island incorporate. Currently, the Islands Trust's Local Planning Services are unique in the Province as they are tied to a unique mandate (i.e. the Islands Trust object), and not directly connected to service delivery (which is provided by regional districts, improvement districts, and other bodies throughout the Trust Area). With another municipal incorporation beyond BIM, Local Planning Services is the most vulnerable program area of the Islands Trust, as it would be provided to and funded by the remaining Local Trust Areas and not the municipal members. While the scope of this study is limited to the primary potential response options of adjustments to service levels and property taxation (as identified in Section 4), additional strategies may need to be considered, such as a restructuring in the way that Local Planning Services are delivered and/or funded.

5.3.5 *Transition Assistance*

To address the strength and resilience of the Islands Trust, it is understood that the Ministry of Community, Sport and Cultural Development could potentially provide transition funding to the Islands Trust. This transition funding would be similar to the restructure assistance that is provided to new municipalities. Further review would be required within the context of a municipal incorporation study to determine the potential extent of transition funding that could be made available to the Islands Trust.

6.0 Conclusions

Following the completion of the Salt Spring Island Governance Review in December 2013, this study focuses exclusively on the potential effect of a Salt Spring Island municipal incorporation on the Islands Trust. As indicated, based on the Islands Trust 2014-15 detailed budget, the Islands Trust would experience a shortfall of approximately $800,000 with the potential municipal incorporation of Salt Spring Island. This study provides a range of possible strategies that could be used to address this shortfall, recognizing that a preferred strategy would be developed at the discretion of the Islands Trust.

At this time, the Minister of Community, Sport and Cultural Development has not made a formal decision on whether or not to proceed with a full Salt Spring Island municipal incorporation study. It is noted that if the Minister does approve the completion of a municipal incorporation study, there are several steps that would be required prior to a referendum vote on Salt Spring Island municipal incorporation. Major steps would typically include:

- formation of a study committee;
- completion of a detailed technical study, focusing on the financial impacts of municipal incorporation;
- consultation with First Nations and other potentially affected parties;
- service analysis;
- preparation of an offer of restructure assistance;
- study committee recommendation on whether or not to proceed with a municipal incorporation vote; and,
- decision by Minister of Community, Sport and Cultural Development on whether to proceed with a municipal incorporation vote.

Upon the completion of these steps, Salt Spring Island electorate would then have an opportunity to decide, in a referendum vote, whether they wish to incorporate as a municipality. If the vote were successful, further required steps would include the preparation of Letters Patent for the new municipality, and preparation of transitional arrangements.

As indicated, there is a significant process that would still need to be undertaken prior to a potential municipal incorporation of Salt Spring Island. Nevertheless, should a Salt Spring municipal incorporation study proceed in the future, there are several recommended actions for consideration by the Islands Trust. These recommended actions include the following:

- Establish a multi-year budget and financial plan to address the potential reduced revenue associated with the removal of Salt Spring Island operations, if municipal incorporation goes ahead. While the scenarios outlined in Section 4 of this study are hypothetical, the financial analysis should assist in forming the basis for development of long term financial strategies to address the potential incorporation of Salt Spring Island.
- Develop a staffing plan to address the potential removal of Salt Spring Island operations and the potential incorporation of Salt Spring Island as an Island municipality.

- Enter into short-term leases for the Salt Spring Island office to maintain flexibility in the event that Salt Spring Island votes in favour of municipal incorporation.
- To make the organization more resilient to a potential incorporation, consider greater use of special requisitions to fund Local Trust Committee programs that are beyond a base level of service.
- Consider property tax increases to establish special reserves for transitional funding should Salt Spring Island vote in favour of municipal incorporation. As demonstrated with BIM, the property tax impact for the Islands Trust is felt immediately following the completion of the contract for the provision of planning services during the transition period following incorporation.
- Discuss the merits of a two year transition period for Local Planning Services following a municipal incorporation.
- Consider additional options to enhance the strength and resilience of the Islands Trust, such as amendments to the Islands Trust Policy Statement and adjustments to strengthen the relationship between the Policy Statement and adopted Official Community Plans for both municipal members and Local Trust Areas.

APPENDIX A

Islands Trust 2014-15 Budget Summary

URBAN systems

Islands Trust

Annual Budget For The Year Ending March 31, 2015

(Approved March 5, 2014)

	Description	Annual Budget
Revenue		
	Fees & Sales	110,000
	Provincial Grant	119,121
	Property Tax Levy General	6,126,684
	Special Property Tax Requisition	110,000
	Property Tax Levy Bowen	214,655
	Transfer from General Revenue Fund Surplus	268,620
	Interest Income	50,000
	Other Revenues	60,000
	Total Revenue	**7,059,080**
Expenses		
	Trust Council	
	Trust Council	397,412
	Executive Committee	96,637
	Trust Area Services	417,739
	General Admin Allocation - 16%	237,720
	Total Council Expenses	**1,149,507**
	Local Planning Services	
	Local Trust Committees & Programs	959,661
	Planning Staff & Facilities	2,696,960
	Mapping Services	248,422
	Bylaw Enforcement	295,342
	General Admin Allocation - 75%	1,114,310
	Total Local Planning Services Expenses	**5,314,695**

Annual Budget For The Year Ending March 31, 2015

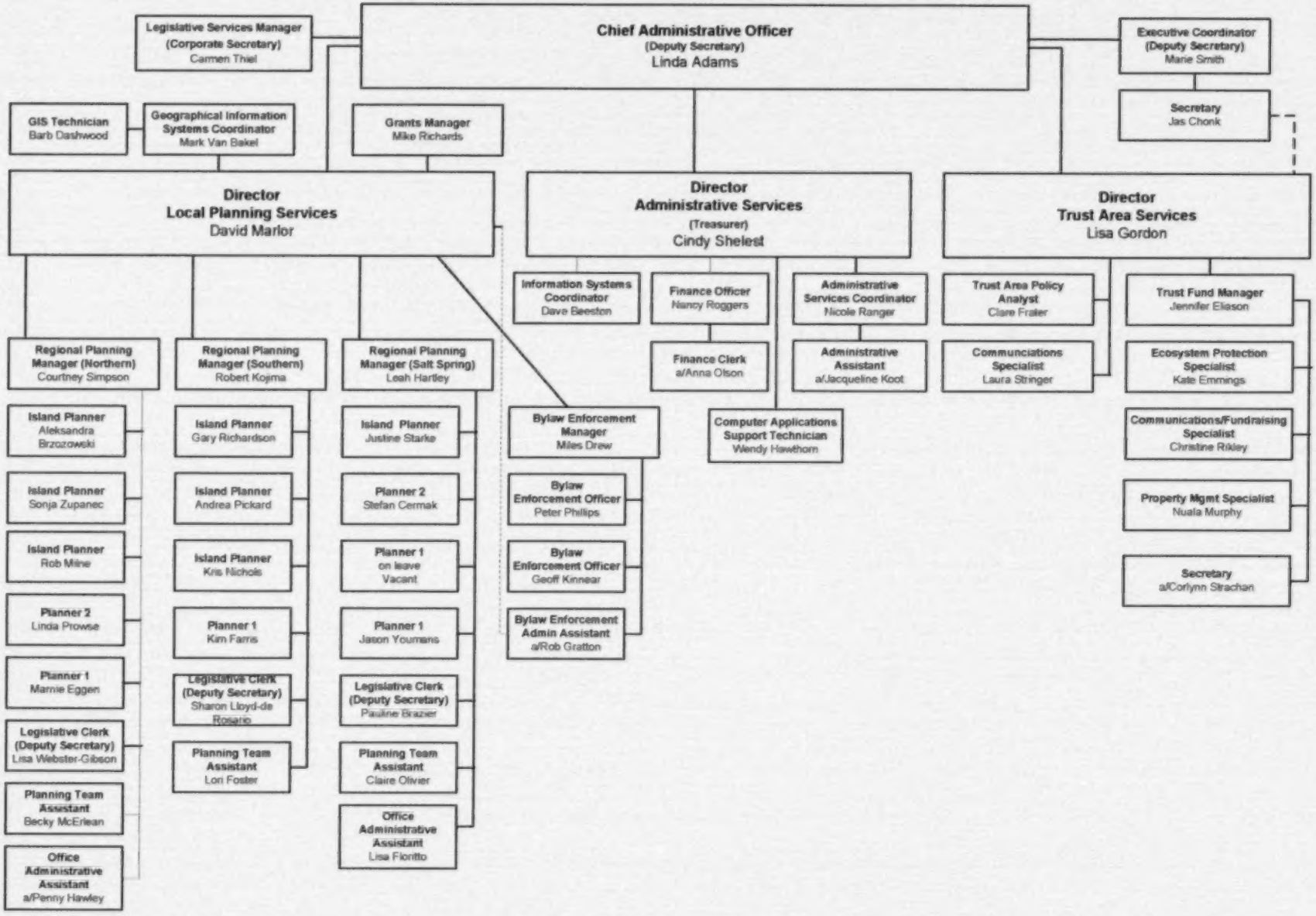
(Approved March 5, 2014)

Description	Annual Budget
Trust Fund	
Board	92,000
Administration	403,160
Operations	31,000
General Admin Allocation - 9%	133,717
Total Trust Fund Expenses	659,878
General Admin	
Senior Management	327,864
Financial, HR and Admin Services	846,084
Office Operations	176,800
Computer/Furniture & Equipment Purchases	70,000
Amortization Expense	65,000
General Admin Recovery	-1,485,747
Net General Admin Expenses After Allocation	0
Less Non-Cash Expenditures - amortization	-65,000
Total Expenses	7,059,080
Contribution to Surplus	0

APPENDIX B
Islands Trust Organizational Chart

URBAN systems

Islands Trust Organization Chart



G:\Admin\Visio\Organization Chart **Jan 29, 2014** Website copy.vsd — — - working relationship